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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92047433
Party	Defendant Jay-Y Enterprise Co., Inc.
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Signature	/Kenneth L. Wilton/
Date	10/05/2009
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

GADO S.A.R.L., Petitioner, v. JAY-Y ENTERPRISE CO., INC., Respondent.	Cancellation No. 92047433

RESPONDENT JAY-Y ENTERPRISE CO., INC.'S REPLY IN SUPPORT OF ITS MOTION TO FILE FIRST AMENDED ANSWER AND COUNTERCLAIMS;

REPLY DECLARATION OF KENNETH L. WILTON IN SUPPORT THEREOF filed concurrently herewith

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

FEDERAL CASES

RULES

OTHER AUTHORITIES

I. INTRODUCTION

In an attempt to avoid the consequences of Respondent's clear and convincing evidence of priority and its own fraudulent conduct, Petitioner has asserted, without citation to any evidence, that it will be prejudiced by Respondent's proposed counterclaims, and, citing case law that is inapplicable at the pleading stage, that Respondent's detailed fraud claims are legally insufficient.

When the time-line of this proceeding is examined, it is clear that Petitioner will not be prejudiced by the assertion of Respondent's priority defense and counterclaim. Petitioner does not ask for further discovery, does not claim that it needs more time for trial, and does not even assert that it would be forced to expend more funds defending the priority counterclaim. In short, there is simply no prejudice here. Moreover, Petitioner does not seriously question Respondent's explanation for its delay: Respondent did not discover the error in its asserted dates first use until after the parties had spent over a year devoted to settlement discussions, and then spent several months trying to locate sixteen year old sunglasses and documentation to support the otherwise unsubstantiated memory of one of its principals. Because Respondent's delay is explained, no prejudice will result to Petitioner, and it is the policy of the Board to liberally allow amendment *at any stage* of a proceeding (see F.R.C.P. 15(a) and TBMP § 507.02) in order to permit proceedings to be tried *on their merits*, Respondent should be allowed to assert its meritorious priority defense and counterclaim.

Likewise, Respondent's fraud counterclaims are more than adequately pleaded. The counterclaims detail the circumstantial evidence demonstrating that Petitioner's principals – who plainly know what goods Petitioner is selling and what goods it is not – repeatedly and intentionally misled the Patent and Trademark Office into believing Petitioner was using its

marks on specific goods when it was not, evidence from which can be inferred that Petitioner intended to deceive the PTO. Because the fraud counterclaims are sufficiently and specifically pleaded, they should be allowed as well.

II. RESPONDENT'S AFFIRMATIVE DEFENSE OF PRIORITY SHOULD BE PERMITTED

It is well settled that "the Board liberally grants leave to amend pleadings at any stage of a proceeding when justice so requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party or parties." *See* Fed. R. Civ. P. 15(a) and TBMP Section 507.02; *CashFlow Technologies, Inc. v. NetDecide*, 2002 TTAB LEXIS 147, *4-5 (TTAB February 7, 2002);[1] *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*, 26 USPQ2d 1503, 1505 (TTAB 1993).

A. Petitioner Admits That Respondent's Priority Defense and Counterclaim Are Legally Sufficient

Petitioner does not challenge the legal sufficiency of Respondent's proposed amendment for two reasons. First, the law is clear that Respondent is not bound by the dates of first use alleged in its registrations. In fact, if proved, reliance on an earlier first use date is specifically contemplated by the Board. *See Elder MFG. Co. v. International Shoe Co.*, 92 USPQ 330, 332 (CCPA 1952) (Applicant is not bound by the date of first use alleged in his application for registration and is subsequently permitted to show an earlier date by clear and convincing evidence); *Hydro-Dynamics, Inc. v. George Putnam & Company, Inc.*, 1 USPQ2d 1772, 1773-74 (Fed. Cir. 1987) (Applicant permitted to prove a date earlier than the date alleged in its application by proper evidence, and is not bound by date of first use in application).

[1] Copies of unpublished decisions are attached as exhibits to the accompanying Reply Wilton Declaration.

Second, Respondent has produced to Petitioner unassailable evidence that it was using its DG Marks well before Petitioner had any use of a similar mark in the United States. Specifically, Respondent's sunglasses all include model numbers, model numbers that are imprinted on the temple of each pair of sunglasses and are likewise referenced in Respondent's invoices. [Reply Wilton Decl. ¶ 2.] Accordingly, Respondent produced in discovery sunglasses that bore the DG Marks together with invoices showing that those model sunglasses were sold at least as early as 1993 and 1995, respectively. [Id.] Copies of the relevant invoices and photographs of the sunglasses referenced in the invoices are attached as Exhibit 1 to the accompanying Reply Declaration of Kenneth L. Wilton.

Because priority of use is a required element of Petitioner's Section 2(d) claims, and Respondent's 1993 and 1995 dates of first use pre-date Petitioner's dates of first use, Respondent has established a viable priority defense. *See Media Online v. El Clasificado, Inc.*, 2008 TTAB LEXIS 52, *12 (TTAB September 29, 2008).

B. Petitioner Has Failed To Show That Respondent's Explanation For The Timing Of This Motion Is Unreasonable, Or That Petitioner Will Be Prejudiced By The Requested Amendment

It is well settled that delay alone is not, in and of itself, a reason to deny a motion to amend. *See CashFlow Technologies, Inc. v. NetDecide*, 2002 TTAB LEXIS 147 at *5 (*citing Capital Speakers Inc. v. Capital Speakers Club of Washington D.C. Inc.*, 41 USPQ2d 1030 (TTAB 1996)). Rather, in a case such as this, the focus is on the movant's explanation for the delay in seeking amendment, and whether any prejudice has resulted from that delay. *Kellogg Co. v. Shakespeare Co., LLC*, 2005 TTAB LEXIS 284, *8-9 (TTAB June 30, 2005) (*citing* TBMP § 507.02); *Trek Bicycle Corp. v. StyleTrek Ltd.*, 64 USPQ2d 1540, 1541 (TTAB 2001)

(the Board is required to focus on the movant's reasons for the timing of the motion for leave to amend). As stated by the Board in *Media Online*, a case heavily relied on by Petitioner:

> "Any party who delays filing a motion for leave to amend its pleading *and*, in so delaying, causes prejudice to its adversary, is acting contrary to the spirit of Rule 15(a) and risks denial of that motion."

Media Online, 2008 TTAB LEXIS 52 at *4-5 (*citing* Wright, Miller and Kane, *Federal Practice and Procedure: Civil 2d*, Section 1488 (1990)).

Thus, when determining whether or not to grant amendment, the Board should consider the timing of the motion, the reasons for that timing, *and* whether the non-moving party will be prejudiced by allowing the amendment. TBMP § 507.02. Here, Respondent has presented a very reasonable explanation for the timing of this motion, based largely on a change in management at Respondent coupled with the fact that the parties were engaged in settlement discussions that commenced *before* Respondent even responded to Petitioner's only discovery, and which resulted in the proceedings being suspended for well over a year. Moreover, Petitioner fails to identify any prejudice to Petitioner that would arise from Respondent's proposed amendment. Because cases should be considered on their merits, Respondent's proposed priority amendments should be allowed.

1. Respondent Has Explained The Timing Of Its Filing This Motion

Respondent's moving papers clearly explain the timing of this motion, supported by declarations from both Respondent's representative, Ward Chen, and Respondent's counsel, Kenneth L. Wilton. Petitioner does not in any manner question this explanation, other than to assert that "Mr. Chen could have recognized the purportedly mistaken first use dates at any time

during the span of this proceeding." [Opp., p.5.] This attack, of course, begs the question regarding whether Respondent's explanation of the timing of this motion is reasonable. Respondent submits that it is.

Respondent's motion explains that Ward Chen, who is now in management at Respondent but who was not at the time the registrations at issue were filed, had no reason or basis to question the dates of first use alleged in Respondent's trademark registrations. As a result, Mr. Chen did not discover the mistaken dates of first use alleged in those registrations during the early stages of this proceeding. [Chen Decl., ¶¶ 3-4.] Indeed, Petitioner was already making settlement overtures before Respondent even responded to Petitioner's first sets of discovery, and the proceedings were suspended before Respondent produced any documents to Petitioner. [Opening Wilton Decl. ¶¶ 3-6.]

When the settlement negotiations failed, Respondent turned its attention to producing the documents requested by the discovery. [Id. at ¶ 7.] It was only then that Mr. Chen consulted his mother – who was in active management of Respondent when it was founded – and learned that Respondent apparently was selling sunglasses under the DG Marks well before the claimed dates of first use in the registrations at issue. [Chen Decl., ¶ 5.]

As discussed above, the Board recognizes that errors can be made in alleging dates of first use. *Hydro-Dynamics*, 1 USPQ2d at 1773-74. But correcting that error comes with an evidentiary price, in that a party seeking to prove an earlier date of first use than that which is identified in its registration is required to make that showing by *clear and convincing* evidence. *Id.*; *Elder MFG. Co.*, 92 USPQ at 332. Because of this higher burden of proof, Respondent chose not to simply rely on the unsubstantiated memory of Mr. Chen's mother to support a request to amend. Instead, Respondent (through Mr. Chen) diligently investigated the earlier

dates of first use to determine whether or not Respondent could support those dates with documentary evidence. *Id.* ("oral testimony is obviously strengthened by corroborative documentary evidence"). Not surprisingly, given the amount of time that has passed, this process took several months.[2] It is clear that Respondent was not trying to delay these proceedings, but rather spent the time necessary to confirm that its defense had merit prior to asserting it. Respondent submits that such diligence should not be turned on its head to be considered undue delay, particularly where, as here, nothing happened in the proceeding during the time Respondent was exercising such diligence.

In stark contrast to Respondent's explanation, the cases relied on by Petitioner all involved the party in the position of plaintiff seeking amendment and providing no, or a facially unreasonable, explanation for its delay in filing its motion for leave to amend its charging pleading. For example, in *Media Online*, the cancellation petitioner waited to seek amendment until after respondent had filed a motion for judgment, and then attempted to explain its delay in seeking amendment by asserting that the parties were engaged in settlement discussions. The Board concluded that such reliance was unreasonable, given that the parties "never filed a stipulation or consented motion to suspend proceedings." *Media Online*, 2008 TTAB LEXIS 52 at *6. Similarly, in *Trek Bicycle*, the Board denied opposer leave to amend in part because "the motion to amend is wholly silent as to why the dilution claim was not raised earlier. Even

[2] By contrast, at the time these proceedings were suspended, Petitioner had failed to respond to Respondent's written discovery. [Wilton Decl., ¶ 4.] Although Petitioner, like Respondent, knew that it was required to respond to the discovery in January, 2009, when the proceedings resumed, it took Petitioner six months to complete and serve its responses. [Id.] Respondent is not claiming any prejudice arising from Petitioner's delay, but is merely pointing out the fact that, in the context of this proceeding, Respondent taking several months to locate samples of sixteen-year-old sunglasses and related invoices is reasonable.

though applicant raised the question of delay in its opposing papers, opposer failed to address this point in its reply brief." *Trek Bicycle*, 64 USPQ2d at 1541.[3]

2. Petitioner Will Not Be Prejudiced By The Amendment

Petitioner's opposition completely fails to identify any prejudice that it would suffer if amendment is granted. Petitioner does not claim that there is any discovery it would have undertaken had it known of Respondent's priority claim earlier, nor does it claim that its trial preparation would be altered in any way. This lack of prejudice is amply demonstrated by the fact that Petitioner is moving forward with presenting its trial testimony notwithstanding the fact that there has been no decision on this motion. *See*, Docket No. 31: Stipulation For An Extension of Time. In fact, the Stipulation notes that, depending on the outcome of this motion, *Respondent* may be seeking more time to present its trial testimony. Petitioner has made no such request. *Id.*

The only attempt Petitioner makes to assert prejudice is by taking a quote out of context from the *Media Online* proceeding regarding "piecemeal litigation." [Opp., p. 6.] In reality, allowing Respondent to amend its answer to assert a priority defense (and the related compulsory counterclaim seeking cancellation of one of Petitioner's registrations) will not result in piecemeal litigation. Petitioner will not be forced to "re-litigate the priority of use issue," because the issue has not yet been litigated. No trial testimony has been taken, and Petitioner has made no attempt to assert that the amendment will change its trial strategy one whit.

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[3] Petitioner's citation to two Eighth Circuit cases is similarly unavailing. In *Floyd v. Mo. Dept. of Soc. Serv.*, 188 F.3d 932 (8th Cir. 1999), plaintiff sought leave to amend seven months after a summary judgment was filed, with the explanation for the delay being her purported lack of awareness of the claim – an assertion that was contradicted by the evidence – and a change in counsel. The court affirmed the rejection of these explanations. *Id.* at 939. In *Svoboda v. Trane Co.*, 655 F.2d 898 (8th Cir. 1981), plaintiff sought leave to amend on the eve of trial, presenting no explanation for the delay and causing prejudice to the defendant. *Id.* at 900.

Conversely, if Respondent is not permitted to raise its priority affirmative defense, Respondent will suffer prejudice because the defense is legally dispositive of Petitioner's claim of infringement based on Registration No. 3,108,433. As shown above and in the source documents attached as Exhibit 1 to the accompanying Wilton Declaration, Respondent has the documents and evidence to support its priority defense. As a result, this case should be decided on the facts and merits, not procedural fortuities caused by the time spent on settlement negotiations that Petitioner invited, and the requested amendment granted.[4]

III. RESPONDENT'S COUNTERCLAIMS BASED ON FRAUD SHOULD BE PERMITTED

Petitioner challenges Respondent's proposed counterclaims for fraud based only on their purported legal sufficiency, not prejudice.[5] As a general proposition, Respondent does not disagree with Petitioner's contention that a party seeking to prove fraud on the USPTO must prove that the Petitioner had the requisite intent to deceive. In support of its position that amendment would be futile, however, Petitioner cites to *In Re Bose Corporation*, 2009 U.S. App. LEXIS 19658 (Fed. Cir. August 31, 2009), a case that has no relevance here in light of the contrasting procedural postures of *Bose* and this proceeding. *Bose* did not involve a test of the legal sufficiency of a proposed amendment at the pleading stage, but rather, it involved a

[4] Although Petitioner has articulated no prejudice, if necessary, any prejudice can easily be avoided simply by reopening discovery to permit Petitioner to take discovery. Petitioner cannot claim that time is of the essence because Petitioner supported settlement negotiations and the year long suspension of this matter. Certainly a few additional months of discovery are insignificant in light of the above.

[5] Petitioner makes no argument that Respondent delayed in bringing this claim for good reason: the facts supporting this amendment were not discovered until Petitioner served its discovery responses on June 26, 2009. [Reply Wilton Decl., Exh. 2.] Shortly after receiving the discovery responses confirming that Petitioner had not used the marks shown in the pleaded registrations on many of the goods identified in those registrations, on August 3, 2009, Respondent provided Petitioner with its proposed First Amended Answer and Counterclaim. [Id. at ¶ 5.]

decision as to the burden of proof for proving fraud *at trial*. Similarly, in *Torres v. Cantine Torresella S.r.L.*, 808 F.2d 46 (Fed. Cir. 1986), also relied on by Petitioner, the proceeding involved the burden of proof for fraud at the summary judgment stage, not pleading.

At the pleading stage, however, the burden that Respondent must satisfy when pleading fraud is substantially different than that required to prove the claim at trial. At the pleading stage, Respondent's allegations need only give "fair notice" of the claim being asserted and the "grounds upon which it rests." *Conley v. Gibson*, 355 U.S. 41, 47-48, 78 S.Ct. 99, 103 (1957). A plaintiff need not prove evidentiary facts or set forth a complete and convincing picture of the alleged wrongdoing as "a complaint is not required to allege all, or any, of the facts logically entailed by the claim." *Bennett v. Schmidt*, 153 F.3d 516, 518 (7th Cir. 1998).

Here, there can be no dispute that Respondent's proposed Counterclaim satisfies the "fair notice" standard for alleging a fraud claim. The Counterclaim alleges that Petitioner signed multiple declarations claiming that it was using its registered marks on all of the goods identified in those registrations when, as it now admits, it was not. *See*, Counterclaim, ¶¶ 8, 9, 14, 24, 25, 30, 38, 39. The Counterclaim also alleges that the individuals who signed many of the declarations at issue were the founders of the company, and knew what the company sold, and what it did not. *See*, Counterclaim, ¶¶ 6, 9, 11, 15, 16, 22, 27. The Counterclaim also alleges that, knowing that their declarations were false, the declarants nonetheless filed them with the specific intent that they be relief upon by the PTO. Counterclaim, ¶¶ 12, 17, 28, 33, 42. At a minimum, it may be inferred from the facts alleged that Petitioner had specific knowledge of its

misrepresentations, and intended to deceive the PTO.[6] The allegations are more than sufficient to put Petitioner on notice of the nature of Respondent's claim.

Petitioner asserts that Respondent has not satisfied the "particularity" requirement for pleading fraud. Petitioner's argument, however, incorrectly states the legal standard for pleading fraud and fails for at least the following three reasons:

First, Respondent's proposed Counterclaim does in fact allege Petitioner's intent, knowledge, and specific intent to deceive the USPTO with the requisite particularity. *See, e.g.,* Counterclaim, ¶¶ 12, 22, 33. Furthermore, Respondent alleges numerous background facts supporting the fraud allegations, including the fact that Petitioner submitted knowingly false declarations – each acknowledging penalties for any false statements contained therein – claiming that it was using its mark on all goods identified therein when it knew it was not. Id. at ¶¶ 10, 11, 15, 16, 26, 27, 31, 32, 40, 41.

Second, although Respondent maintains that the proposed Counterclaim sets forth the allegations of fraudulent intent with the requisite particularity, as this Board undoubtedly knows, fraudulent intent must only be pleaded *generally*, not with particularity. While the first sentence of FRCP Rule 9(b) provides that a party alleging fraud must state with particularity the circumstances constituting fraud, the second sentence of FRCP Rule 9(b) expressly states that "*[m]alice, intent, knowledge, and other conditions of a person's mind may be alleged generally.*"[7]

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[6] If the Board believes that the proposed Counterclaims are deficient to the extent it fails to allege that "Petitioner intended to deceive the PTO" – even though that is the logical conclusion to be drawn from the current allegations – then Respondent requests that it be granted leave to submit a further amended Answer and Counterclaims to account for the intervening *Bose* decision.

[7] The second sentence of FRCP Rule 9(b) is notably absent from Petitioner's Opposition.

Third, when the facts relating to a party's specific intent are peculiarly within the knowledge of that party; in such circumstances, a party is not entitled to further particulars at the pleading stage as to its own fraudulent intent. See *E. I. Du Pont De Nemours & Co. v Dupont Textile Mills, Inc.*, 26 F. Supp. 236, 40 USPQ 422, 423 (M.D. Pa. 1939). That is certainly the case here.

Rule 9(b)'s particularity requirement must be read in harmony with Rule 8's requirement of a "short and plain" statement of the claim. *Sanderson v. HCA-The Healthcare Co.*, 447 F.3d 873, 876 (6th Cir. 2006); *Shapiro v. UJB Fin'l Corp.*, 964 F.2d 272, 285 (3rd Cir. 1992). The particularity requirement is satisfied if the pleading "identifies the circumstances constituting fraud ... so that the defendant can prepare an adequate answer from the allegations." *Moore v. Kayport Package Express, Inc.*, 885 F.2d 531, 540 (9th Cir. 1989); see also *Bankers Trust Co. v. Old Republic Ins. Co.*, 959 F.2d 677, 683-84 (7th Cir. 1992). The allegations must only be "specific enough to give defendants notice of the particular misconduct which is alleged to constitute the fraud . . . so that they can defend against the charge and not just deny that they have done anything wrong." *Semegen v. Weidner*, 780 F.2d 727, 731 (9th Cir. 1985). In this case, Respondent's counterclaims are more than specific enough to give Petitioner notice of the particular misconduct which is alleged to constitute the fraud so that Petitioner can defend against the charge.

If the Board for any reason agrees that the allegations are legally insufficient, Respondent requests that the motion be denied without prejudice, and that discovery be reopened to afford Respondent the opportunity to conduct discovery on this new issue, which arose only after

Petitioner provided its discovery responses.[8] Respondent further requests that, even if this motion is granted, discovery be reopened in light of the recent decision in *Bose*, a case which was decided after this motion was filed and after the close of discovery and which arguably altered the burden of proving fraud on the USPTO, to allow Respondent to conduct additional discovery on the issue of fraud.

IV. CONCLUSION

For the foregoing reasons and for the reasons set forth in its moving papers, Respondent respectfully requests that its proposed First Amended Answer and Counterclaims be deemed filed,[9] that Petitioner be required to respond to the counterclaims by a date certain, that discovery be reopened in light of the decision in *Bose*, and that the remaining trial dates be rescheduled accordingly.

Respectfully submitted,

SEYFARTH SHAW LLP

Dated: October 5, 2009

By: */Kenneth L. Wilton/*
Kenneth L. Wilton
Attorneys for Respondent
JAY-Y ENTERPRISE CO., INC.

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[8] Petitioner asserts, without authority, that Respondent's "motion does not adequately substantiate its allegations regarding [Petitioner's] admissions as the Responses to Respondent's Requests for Admission are not included in their motion papers." [Opp., p. 3, n.4.] Although it is unclear what it is that Petitioner is seeking given that it admits in its papers the contents of those Responses, the responses are attached as Exhibit 2 to the Reply Wilton Declaration.

[9] If the Board grants this motion and allows the proposed First Amended Answer and Counterclaims to be deemed filed, any fees associated with the Counterclaims may be deducted from Deposit Account No. 50-2291.

CERTIFICATE OF SERVICE

I hereby certify that on October 5, 2009, I served the foregoing RESPONDENT JAY-Y ENTERPRISE CO., INC'S REPLY IN SUPPORT OF ITS MOTION TO FILE FIRST AMENDED ANSWER AND COUNTERCLAIMS on the Petitioner by depositing a true copy thereof in a sealed envelope, postage prepaid, in First Class U.S. mail addressed to Petitioner's counsel of record as follows:

John Clarke Holman
Robert S. Pierce.
JACOBSON HOLMAN, PLLC
400 Seventh Street, N.W.
Washington, D.C. 20004

Mark Lerner, Esq.
Satterlee Stephens Burke & Burke LLP
230 Park Avenue
New York, NY 10169-0079

/Linda Norris/
Linda Norris

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

GADO S.A.R.L., Petitioner, v. JAY-Y ENTERPRISE CO., INC., Respondent.	Cancellation No. 92047433

REPLY DECLARATION OF KENNETH L. WILTON IN SUPPORT OF RESPONDENT JAY-Y ENTERPRISE CO., INC.'S REPLY IN SUPPORT OF ITS MOTION TO FILE FIRST AMENDED ANSWER AND COUNTERCLAIMS

Reply Brief filed separately

REPLY DECLARATION OF KENNETH L. WILTON

I, Kenneth L. Wilton, hereby declare:

1. I am a member of the bar of the State of California, and am a member of the firm of Seyfarth Shaw LLP, counsel of record for Respondent Jay-Y Enterprise Co., Inc. ("Respondent") in this cancellation proceeding. I make this declaration on the basis of my own personal knowledge and in support of Respondent's Reply Brief in support of its Motion to File First Amended Answer and Counterclaims.

2. Based on my review of samples of Respondent's sunglasses, I have found that they all include model numbers, model numbers that are imprinted on the temple of each pair of sunglasses and are likewise referenced in Respondent's invoices. In its document production to Petitioner, Respondent produced photographs of sunglasses that bore its DG Marks together with invoices showing that those sunglasses were sold at least as early as 1993 and 1995, respectively. Copies of invoices and photographs of the sunglasses referenced in the invoices supporting the fact that Respondent has been selling sunglasses under various iterations of its DG Marks since at least as early as 1993 are attached hereto as Exhibit 1.

3. Petitioner, through its counsel, made its first settlement offer on October 19, 2007. That offer was rejected on November 9, 2007, the same day Respondent served its written discovery on Petitioner. Shortly thereafter, on November 29, 2007, Petitioner made a second settlement offer and proposed suspending the case (including a suspension of all formal responses to discovery) while the parties negotiated a possible settlement. In December, 2007, Petitioner again proposed suspending the case to allow the parties to engage in settlement discussions and proceeding was formally suspended on January 7, 2008, where it remained for over a year.

4. At the time these proceedings were suspended, Petitioner had not yet responded to Respondent's written discovery. Although Petitioner, like Respondent, knew that it was required to respond to the discovery in January, 2009, when the proceedings resumed, it took Petitioner six months to complete and serve its responses. On June 26, 2009, Petitioner served its written responses to the discovery that had been served by Respondent in November, 2007. A true and correct copy of Petitioner's responses to Respondent's requests for admission is attached hereto as Exhibit 2.

5. By letter dated August 3, 2009, I provided Petitioner's counsel with a copy of the proposed First Amended Answer and Counterclaims we intended to seek to file on behalf of Respondent.

6. Attached hereto as Exhibit 3 is a true and correct copy of the opinion in *CashFlow Technologies, Inc. v. NetDecide*, 2002 TTAB LEXIS 147 (TTAB February 7, 2002).

7. Attached hereto as Exhibit 4 is a true and correct copy of the opinion in *Media Online v. El Clasificado, Inc.*, 2008 TTAB LEXIS 52 (TTAB September 29, 2008).

8. Attached hereto as Exhibit 5 is a true and correct copy of the opinion in *Kellogg Co. v. Shakespeare Co., LLC*, 2005 TTAB LEXIS 284 (TTAB June 30, 2005).

9. Attached hereto as Exhibit 6 is a true and correct copy of the opinion in *In re Bose Corporation*, 2009 U.S. App. LEXIS 19658 (Fed. Cir. August 31, 2009).

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 5th day of October, 2009 at Los Angeles, California.

/Kenneth L. Wilton/
Kenneth L. Wilton

EXHIBIT 1

JAY-Y ENTF RPRISE CO., INC.
632 New York Drive, Pomona, CA 91768
Tel: 909/469-4898 Fax: 909/469-4896
E-Mail: JayYEnt@Aol.Com

' voice 934024

Customer Redacted

2

Bill To:

Redacted

Ship To:

Redacted

Date	Ship Via	F.O.B.	Terms
12/16/93	Delivered	Origin	NET 30DAYS

Purchase Order Number	Order Date	Salesperson	Our Order Number
Verbal	12/16/93	CS	None

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1	1		10061A/CM			
1	1		10061A/TC/CM			
1	1		NK161			
1	1		TNC/NK161TNC			
1	1		NK163			
1	1		252A			
1	1		265A			
1	1		522A/CM			
1	1		3002			
1	1		3003			
1	1		HM-530A			
1	1		HM-715A			
1	1		NK153			
1	1		NK154			
1	1		NK155			
1	1		FREIGHT			

Redacted

*** PLEASE CONTACT US FOR ANY ITEM & PRICE DISAGREEMENT AND**
*** RETURN ITEMS MUST BE SHIPPED BACK WITHIN 14 DAYS AFTER**
*** YOU RECEIVED MERCHANDISES. THANK YOU!**

NON TAXABLE
TAXABLE SUBTOTAL
TAX
TOTAL

Redacted

Sales Copy

JAY-Y11239


252A

JAY-Y11241

JAY-Y ENTI `PRISE CO., INC.
632 New York Drive, Pomona, CA 91768
Tel: 909/469-4898 Fax: 909/469-4896
E-Mail: JayYEnt@Aol.Com

: voice 951605

Customer Redacted

2

Bill To:

Redacted

Ship To:

Redacted

Date	Ship Via	F.O.B.	Terms
04/27/95	WRAG-TIME	Origin	NET 30 DAYS

Purchase Order Number	Order Date	Salesperson	Our Order Number
Verbal	04/27/95	CS	15630

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50	50		2048A			
250	250		SP-342J/M			
250	250		SP-342J/CM			
50	50		NK-306/REG			
50	50		NK-306/CM			
100	100		NK-6405			
100	100		NK-609			
100	100		TM-2101			
100	100		TM-2152			

* PLEASE CONTACT US FOR ANY ITEM & PRICE DISAGREEMENT AND
* RETURN ITEMS MUST BE SHIPPED BACK WITHIN 14 DAYS AFTER
* YOU RECEIVED MERCHANDISES. THANK YOU!

NON TAXABLE
TAXABLE SUBTOTAL
TAX
TOTAL

Redacted

Sales Copy

JAY-Y ENTI `PRISE CO., INC.
632 New York Drive, Pomona, CA 91768
Tel: 909/469-4898 Fax: 909/469-4896
E-Mail: JayYEnt@Aol.Com

: voice 951610

Customer Redacted

2

Bill To:

Redacted

Ship To:

Redacted

Date	Ship Via	F.O.B.	Terms
04/27/95	UPS	Origin	COD COMPANY CK.

Purchase Order Number	Order Date	Salesperson	Our Order Number
Verbal	04/26/95	LL	15612

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1	1		TC/1009A/CM			
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1	1		10088MH/SD			
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1	1		807/CM			
1	1		2005/FM(NEW)			
1	1		SP-342/CM			
1	1		SP-322			
1	1		CY-8091/L			
1	1		80243/BBCM			
1	1		SP-354			

*** PLEASE CONTACT US FOR ANY ITEM & PRICE DISAGREEMENT AND**
*** RETURN ITEMS MUST BE SHIPPED BACK WITHIN 14 DAYS AFTER**
*** YOU RECEIVED MERCHANDISES. THANK YOU!**

Sales Copy

Page 1
(Continued)

JAY-Y ENTE PRISE CO., INC.
632 New York Drive, Pomona, CA 91768
Tel: 909/469-4898 Fax: 909/469-4896
E-Mail: JayYEnt@Aol.Com

Invoice 951610

Customer Redacted

2

Bill To:

Redacted

Ship To:

Redacted

Date	Ship Via	F.O.B.	Terms
04/27/95	UPS	Origin	COD COMPANY CK.

Purchase Order Number	Order Date	Salesperson	Our Order Number
Verbal	04/26/95	LL	15612

Quantity			Item Number	Tax	Unit Price	Amount
Required	Ship	B.O.				
1	1		TD/8023		Redacted	
1	1		2091A/G			
1	1		2018A/G			
1	1		FREIGHT			
1	1		NK-0256/M			
1	1		R141/ASST.			
1	1		R104			

Redacted

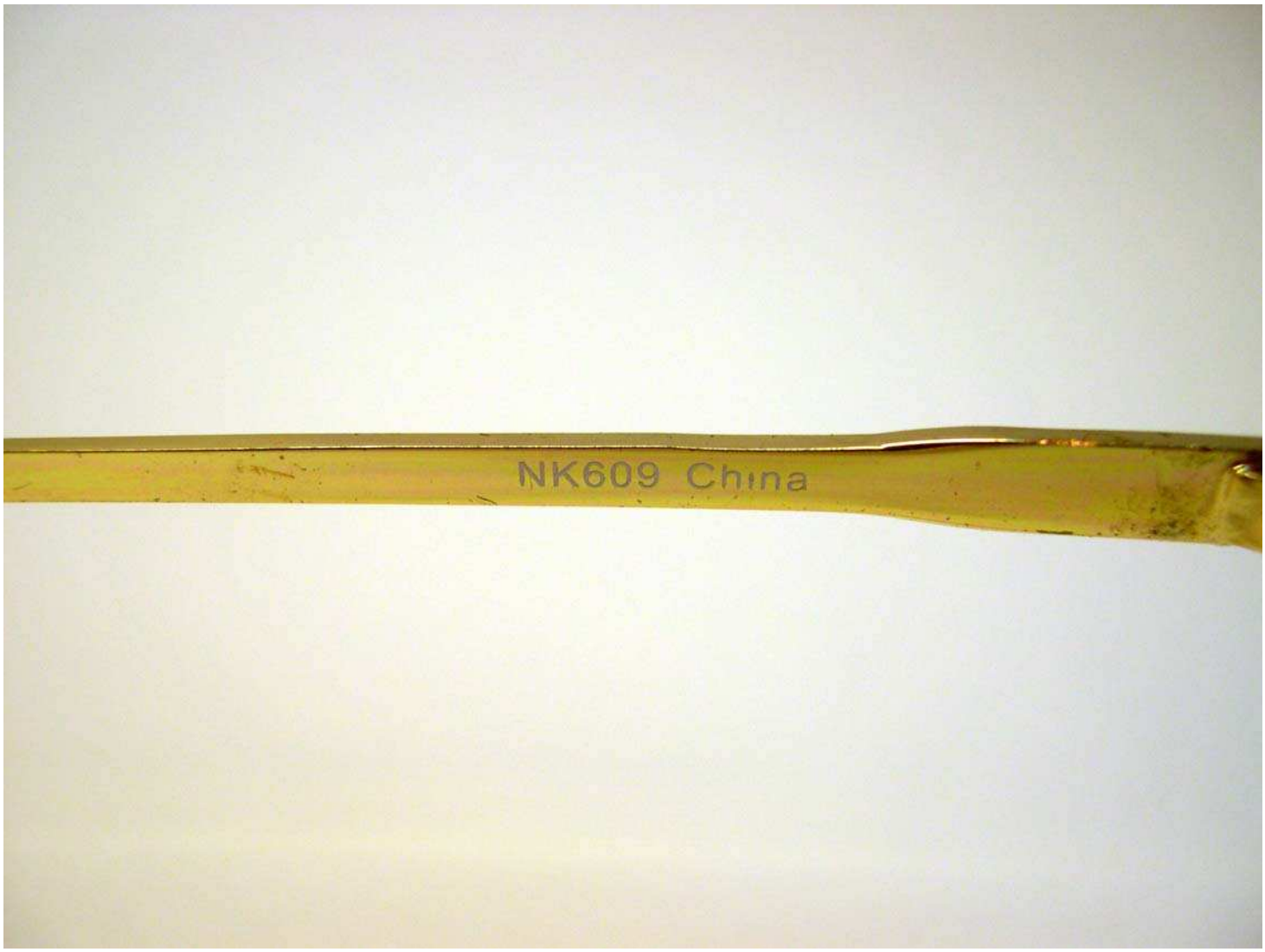
*** PLEASE CONTACT US FOR ANY ITEM & PRICE DISAGREEMENT AND**
*** RETURN ITEMS MUST BE SHIPPED BACK WITHIN 14 DAYS AFTER**
*** YOU RECEIVED MERCHANDISES. THANK YOU!**

NON TAXABLE
TAXABLE SUBTOTAL
TAX
TOTAL

Redacted

Sales Copy

JAY-Y11276



JAY-Y11277

JAY-Y11278

JAY-Y11279

EXHIBIT 2

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

GADO S.R.L.	)	
	)	
Petitioner,	)	
	)	Cancellation No. 92047433
v.	)	
	)	
JAY-Y ENTERPRISES CO., INC.,	)	
	)	
Respondent.	)	

PETITIONER'S RESPONSE TO RESPONDENT'S FIRST REQUEST FOR ADMISSION

Request No. 1:

Petitioner had actual notice of Registration's No. 2,663,337 and 2,582,314 in September, 2005 when they were cited in Office Actions sent to Petitioner in connection with Application Serial Nos. 79/010694, 79/010192, 79/009647, 79/009645, 79/009644, 79/009643, 79/009642, and 79/009641.

Admit

Request No. 2:

Petitioner had constructive notice of Registration No. 2,663,337 on December 17, 2002 when Registration No. 2,663,337 issued.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 3:

Petitioner had constructive notice of Registration No. 2,582,314 on June 18,

2002 when Registration No. 2,582,314 issued.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 4:

Petitioner has had actual knowledge that Respondent owned Registration Nos. 2,663,337 and 2,582,314 for Respondent's Marks since September 2005.

Admit

Request No. 5:

Petitioner has had constructive knowledge that Respondent owned Registration No. 2,582,314 since June 18, 2002.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 6:

Petitioner has had constructive knowledge that Respondent owned Registration No. 2,663,337 Marks since December 17, 2002.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 7:

Petitioner has had actual knowledge that Respondent used Respondent's Marks in use in commerce in the United States since 2005.

Deny

Request No. 8:

Petitioner has had constructive knowledge that Respondent used the mark shown in Registration No. 2,582,314 in commerce in the United States since June 18, 2002.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 9:

Petitioner has had constructive knowledge that Respondent used the mark shown in Registration No. 2,663,337 in commerce in the United States since December 17, 2002.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 10:

Petitioner has had actual knowledge that Respondent's Marks were in use in commerce in the United States since 2005.

Deny

Request No. 11:

Petitioner has had constructive knowledge that the mark shown in Registration No. 2,582,314 was in use in commerce in the United States since June 18, 2002.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 12:

Petitioner has had constructive knowledge that the mark shown in Registration

No. 2,663,337 was in use in commerce in the United States since December 17, 2002.

Petitioner objects to this request on the grounds that it calls for a legal conclusion.

Request No. 13:

Prior to filing the Petition, Petitioner did not contact Respondent to object to the registration of Respondent's Marks.

Admit

Request No. 14:

Prior to filing the Petition, Petitioner did not contact Respondent to object to the use of Respondent's Marks.

Admit

Request No. 15:

Prior to filing the Petition, Petitioner took no action to stop Respondent's use of Respondent's Marks.

Admit

Request No. 16:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with personal deodorants.

Deny

Request No. 17:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with soaps.

Deny

Request No. 18:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with liquid soaps.

Deny

Request No. 19:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with toilet soaps.

Deny

Request No. 20:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with bath foams.

Deny

Request No. 21:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with toothpaste.

Admit

Request No. 22:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with shampoos.

Deny

Request No. 23:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with essential oils.

Admit

Request No. 24:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with hair lotions.

Admit

Request No. 25:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with eye gels.

Admit

Request No. 26:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with bath gels.

Deny

Request No. 27:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with styling gels.

Admit

Request No. 28:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with hair dyes.

Admit

Request No. 29:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with face creams.

Admit

Request No. 30:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with eye-liners.

Admit

Request No. 31:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with eyeshadows.

Admit

Request No. 32:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with makeup pencils.

Admit

Request No. 33:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with face earth.

Admit

Request No. 34:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with lipsticks fond de teint.

Deny

Request No. 35:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with body cream.

Deny

Request No. 36:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with nail polishes.

Admit

Request No. 37:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with nail hardeners

Admit

Request No. 38:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with nail polish remover.

Admit

Request No. 39:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with tanning oils and creams.

Deny

Request No. 40:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with optical filters.

Admit

Request No. 41:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with discs.

Admit

Request No. 42:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with mirrors and scanners.

Admit

Request No. 43:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with radios.

Admit

Request No. 44:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with radio/cassette tapeplayers/recorders.

Admit

Request No. 45:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with radio transmitters.

Admit

Request No. 46:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with radio-telephones.

Deny

Request No. 47:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with record players.

Admit

Request No. 48:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with phonographs records and prerecorded audio and video tapes featuring music.

Admit

Request No. 49:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with tape players.

Admit

Request No. 50:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or

in connection with video recorders.

Admit

Request No. 51:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with optical record readers.

Admit

Request No. 52:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with cameras.

Admit

Request No. 53:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with telecameras.

Admit

Request No. 54:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with television cameras

Admit

Request No. 55:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with radio and TV relay stations.

Admit

Request No. 56:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with radio and television aerials.

Admit

Request No. 57:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with optical lens sights.

Admit

Request No. 58:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with submarine ear plugs not for medical purposes.

Admit

Request No. 59:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with photographic enlargers.

Admit

Request No. 60:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with cash registers.

Admit

Request No. 61:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or

in connection with calculators.

Admit

Request No. 62:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with fire extinguishers.

Admit

Request No. 63:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with electric irons.

Admit

Request No. 64:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with vacuum cleaners.

Admit

Request No. 65:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with a computer program in the fashion field for designing garments.

Admit

Request No. 66:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with computers.

Admit

Request No. 67:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with computer printers.

Admit

Request No. 68:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with computer hardware microprocessors.

Admit

Request No. 69:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with modems.

Admit

Request No. 70:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with telefax machines.

Admit

Request No. 71:

Petitioner has never used the mark identified in Registration No. 2,096,500 on or in connection with harnesses and other saddlery articles.

Admit

Request No. 72:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or

in connection with soaps for personal use.

Deny

Request No. 73:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with essential oils for personal use.

Admit

Request No. 74:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with hair lotions.

Admit

Request No. 75:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with dentifrices.

Admit

Request No. 76:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with face and body moisturizers.

Deny

Request No. 77:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with tonics.

Admit

Request No. 78:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with creams and lotions.

Deny

Request No. 79:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with suntan and sun block lotions and creams.

Deny

Request No. 80:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with lipsticks.

Deny

Request No. 81:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with eye shadows.

Deny

Request No. 82:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with coloring pencils.

Deny

Request No. 83:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with mascara.

Deny

Request No. 84:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with blush.

Deny

Request No. 85:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with face powder.

Deny

Request No. 86:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with foundations.

Deny

Request No. 87:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with cleaning and polishing preparations for domestic use.

Admit

Request No. 88:

Petitioner has never used the mark identified in Registration No. 1,742,622 on or in connection with harnesses and saddlery articles.

Deny

Request No. 89:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with personal deodorants.

Deny

Request No. 90:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with soaps for personal use.

Deny

Request No. 91:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with liquid soaps.

Deny

Request No. 92:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with toilet soaps.

Deny

Request No. 93:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with bath foams.

Deny

Request No. 94:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with toothpastes.

Admit

Request No. 95:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with shampoos.

Deny

Request No. 96:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with essential oils for personal use.

Admit

Request No. 97:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with hair lotions.

Admit

Request No. 98:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with hair gels

Admit

Request No. 99:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with bath gels.

Deny

Request No. 100:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with styling gels.

Admit

Request No. 101:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with hair dyes.

Admit

Request No. 102:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with face creams.

Deny

Request No. 103:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with eye-liners.

Admit

Request No. 104:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with eye shadows.

Admit

Request No. 105:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with make-up pencils.

Admit

Request No. 106:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with face earth.

Admit

Request No. 107:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with lipsticks.

Deny

Request No. 108:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with fond de teint.

Deny

Request No. 109:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with body creams.

Deny

Request No. 110:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with nail polishes.

Admit

Request No. 111:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with nail hardeners.

Admit

Request No. 112:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with nail polish removers.

Admit

Request No. 113:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with tanning oils and creams.

Deny

Request No. 114:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with clocks.

Deny

Request No. 115:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with table clocks.

Admit

Request No. 116:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with alarm clocks.

Admit

Request No. 117:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with digital clocks.

Deny

Request No. 118:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with waterproof clocks.

Deny

Request No. 119:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with watch cases.

Deny

Request No. 120:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with watch chains.

Deny

Request No. 121:

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with watch crystals and lenses.

Admit

Request No. 122

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with chronographs for use as a watch.

Deny

Request No. 123

Petitioner has never used the mark identified in Registration No. 3,108,433 on or in connection with harnesses and other saddlery articles.

Admit

Dated: New York, New York
June 26, 2009

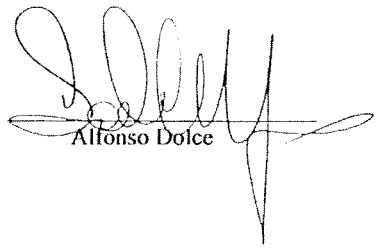
SATTERLEE STEPHENS BURKE & BURKE LLP

By: _____
Mark Lerner
230 Park Avenue
New York, NY 10169
(212) 818-9200
Attorney for Petitioner
GADO S.R.L.

VERIFICATION

I, Alfonso Dolce, am the President of the Board of Directors of Petitioner, GADO S.R.L, and have read the Request for Admission served upon GADO by Respondent, JAY-Y ENTERPRISES CO., INC. The foregoing answers to those Requests are true according to the best of my knowledge, information, and belief. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed in Milan (Italy) on May 22, 2009.



Alfonso Dolce

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PETITIONER'S RESPONSE TO RESPONDENT'S FIRST SET OF INTERROGATORIES** was served on this 26th day of June, 2009, by e-mail and first class mail, postage prepaid, addressed to Kenneth L. Wilton, Esq., Seyfarth Shaw LLP, One Century Plaza, Suite 3500, 2029 Century Park East, Los Angeles, CA 90067-3021, Attorney for the Respondent.

Chris Rittinger

EXHIBIT 3

LEXSEE 2002 TTAB LEXIS 147

CashFlow Technologies, Inc. v. NetDecide

Cancellation No. 30,363

Cancellation No. 30,364

Trademark Trial and Appeal Board

2002 TTAB LEXIS 147

February 7, 2002, Decided

JUDGES: [*1]

Before Hohein, Walters and Rogers, Administrative Trademark Judges.

OPINION:

By the Board:

NetDecide Corporation owns Reg. No. 2,209,531, issued on December 8, 1998 for the mark CASHFLOW for "computer software for individual financial modeling, management, planning, and online financial data transactions," and Reg. No. 2,298,545, issued on December 7, 1999 for the mark CASHFLOW and design, as reproduced below,

[SEE ILLUSTRATION IN ORIGINAL]

for "computer software for individual financial modeling, management, planning and online financial data transactions." On March 27, 2000, Cashflow Technologies filed separate petitions to cancel the registrations on the ground that respondent had abandoned its marks.

On October 6, 2000, the Board consolidated proceedings, with Cancellation No. 30,363 identified as the parent case.

On May 10, 2001, the Board reset discovery and trial dates, setting the close of discovery for June 10, 2001, and the trial period to commence on August 10, 2001.

This case now comes before the Board on the following motions: n1

1) petitioner's motion to extend discovery, filed June 11, 2001; n2

2) petitioner's motion to amend the petition to [*2] cancel, filed July 15, 2001;

3) respondent's motion for summary judgment, filed August 2, 2001 (and served via certificate of mailing on August 2, 2001);

4) petitioner's motion in limine or alternative motion to reopen, filed August 6, 2001;

5) petitioner's motion for summary judgment, filed August 7, 2001;

6) petitioner's request for clarification of the Board's order of August 16, 2001, filed September 4, 2001; and

7) petitioner's request for 56(f) discovery, filed September 6, 2001.

n1 While petitioner, on July 15, 2001, filed a motion to suspend and reschedule trial dates, proceedings were suspended on July 31, 2001 pending disposition of petitioner's motion to amend. Additionally, on August 16, 2001, the Board amended the suspension order to also suspend proceedings pending disposition of the parties' motions for summary judgment. Accordingly, petitioner's motion to suspend is moot.

n2 June 10, 2001 was a Sunday. Pursuant to Patent Rule 1.7, made applicable by Trademark Rule 2.1, petitioner's motion to extend was timely.

The motions are fully briefed.

Petitioner's Motion to Amend

We turn first to petitioner's motion to amend. Petitioner [*3] requests leave to amend the petitions to cancel to add the additional grounds of descriptiveness and "partial cancellation" based on abandonment or nonuse. n3

n3 Rather than partial cancellation, it appears that petitioner is requesting a restriction to respondent's registrations by limiting the description of goods in each registration. The proposed restriction to the identification of goods for both registrations is "custom-configured enterprise server software for individual financial modeling, management, planning and online financial data transactions; the software marketed to financial professionals."

In support of its motion, petitioner argues that amendment of the petitions to cancel is appropriate because evidence produced during discovery has given rise to the new grounds for cancellation as set forth in the amended pleadings; that the amended pleadings conform to the evidence furnished by the respondent during discovery; that the amendment is not prejudicial to respondent; and that justice requires the amendment.

In response, respondent argues that amendment of the pleadings was not proposed within a reasonable time and that petitioner's motion to amend "at this [*4] late stage of these proceedings" prejudices respondent; that respondent will face undue prejudice if amendment of the pleadings is allowed, because respondent was not apprised of the additional grounds during discovery; and that petitioner's "suggested solution [to the problem of prejudice from amendment of the pleadings i.e.,] reopening discovery" also prejudices respondent by delaying adjudication of this case.

In reply, petitioner argues that filing its motion to amend 35 days after discovery closed does not constitute undue delay; n4 that its motion to amend was filed three and a half weeks prior to the opening of the first testimony period; and that respondent has not explained why any prejudice would not be cured by reopening the discovery period, to which petitioner indicates it would consent.

n4 Petitioner indicates that it received the deposition transcript of third party Legg Mason on June 20, 2001 and the errata sheet for the deposition of NetDecide officer Evan Burfield on July 5, 2001, and states that the motion to amend was filed ten days thereafter, on July 15, 2001.

The Board liberally grants leave to amend pleadings at any stage of a proceeding when justice [*5] so requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party or parties. See *Fed. R. Civ. P. 15(a)* and TBMP Section 507.02. *See also American Optical Corp. v. American Olean Tile Co., 168 USPQ 471 (TTAB 1971).*

In deciding whether to grant leave to amend, a tribunal may consider undue delay, prejudice to the opposing party, bad faith or dilatory motive, futility of the amendment, and whether the party has previously amended its pleadings. See *Foman v. Davis, 371 U.S. 178, 182,* (1962).

Generally, delay in seeking leave to amend a pleading is not in and of itself a reason to deny a motion to amend. However, the Board may deny a motion to amend when the movant knew or should have known of the facts upon which the amendment is based when the original pleading was filed, and the movant offers no excuse for the delay. See *Capital Speakers Inc. v. Capital Speakers Club of Washington D.C. Inc., 41 USPQ2d 1030 (TTAB 1996).*

In this case, discovery closed on June 10, 2001, and petitioner filed its motion to amend on July 15, 2001. In [*6] its motion to amend, petitioner asserts that it only became aware of the additional grounds for cancellation after conducting discovery depositions and after reviewing respondent's discovery responses. While petitioner has admitted that there was a delay between the time it became aware of the additional grounds and the time of filing its motion, we do not consider the delay to be unreasonable.

Additionally, we are not persuaded by respondent's claim of prejudice regarding its inability to conduct discovery or present testimony on matters raised in petitioner's amended pleadings inasmuch as that prejudice can be overcome by reopening discovery on those issues. *See, e.g. Space Base Inc. v. Stadis Corp., 17 USPQ2d 1216 (TTAB 1990); Buffett v. Chi-Chi's, Inc., 226 USPQ 428 (TTAB 1985);* see also Beth A. Chapman, TIPS FROM THE TTAB: Amending Pleadings: The Right Stuff, *81 Trademark Rep. 302, 305 (1991).* Moreover, since petitioner's proposed restriction claim speaks to activity or inactivity of respondent, respondent should not need much, if any, discovery. Accordingly, we find that allowance of the proposed amendment would not be prejudicial [*7] to respondent.

In view thereof, petitioner's motion to amend is granted insofar as we allow the additional claims of descriptiveness and partial restriction to be added to the petitions to cancel. n5 In the event proceedings are not disposed of by the motions for summary judgment, limited discovery will be reopened for a brief period for both parties.

n5 As discussed later in this opinion, plaintiff will have to amend its abandonment claim. Thus we have not set a time for respondent to answer the amended petitions here.

Petitioner's Motion for 56(f) Discovery

Turning next to petitioner's motion for 56(f) discovery in connection with respondent's motion for summary judgment, petitioner seeks to take the deposition of non-party EER (as well as non-parties Bank of America Investments and Robert W. Baird) so as to determine the nature of EER's use and the manner in which the CASHFLOW term was used and thus enable petitioner to obtain evidence to challenge respondent's "new allegation of commercial use by ordinary consumers," and to "clear up inconsistencies between respondent's testimony and statements made in the summary judgment motion." Petitioner's declaration under [*8] Trademark Rule 2.20 states that the deposition of EER "may establish nonuse or a prima facie case of abandonment."

In response, respondent argues that petitioner has not demonstrated why it cannot, based on the record and any affidavits it could proffer, oppose respondent's motion for summary judgment, but rather, has only indicated in a conclusory manner that it needs additional discovery to respond to the motion for summary judgment.

Fed. R. Civ. P. 56(f) provides, in pertinent part, that a party which believes that it cannot effectively oppose a motion for summary judgment without first taking discovery may file a request with the Board to take the needed

discovery. The request must be supported by an affidavit showing that the nonmoving party cannot, for reasons stated, present by affidavit facts essential to justify its opposition to the motion. *See also Opryland USA Inc. v. Great American Music Show, Inc., 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992);* and *Keebler Co. v. Murray Bakery Products, 866 F.2d 1386, 9 USPQ2d 1736 (Fed. Cir. 1989).*

In this case, nothing in petitioner's declaration indicates [*9] the specific issues to which it cannot respond or why it cannot oppose respondent's motion for summary judgment without the discovery deposition of non-party EER. In fact, petitioner has already fully responded to respondent's motion for summary judgment. Thus, petitioner's request for 56(f) discovery is without merit. n6

n6 We note that most of the discovery petitioner has requested in its motion relates to general discovery and does not go to specific issues raised in respondent's motion for summary judgment.

A party cannot engage in a "fishing expedition" in hopes of gathering some evidence to help its case. *See* T. Jeffrey Quinn, *TIPS FROM THE TTAB: Discovery Safeguards in Motions for Summary Judgment: No Fishing Allowed, 80 Trademark Rep. 413 (1990);* and *Keebler Co., supra, 866 F.2d 1389, 9 USPQ2d at 1738-1739.* Inasmuch as petitioner has fully responded to respondent's motion for summary judgment, petitioner's request for 56(f) discovery is denied.

The Summary Judgment Motions

We now turn to the parties' motions for summary judgment, each on different grounds.

Summary judgment is an appropriate method of disposing of cases [*10] in which there are no genuine issues of material fact in dispute, thus leaving the case to be resolved as a matter of law. See *Fed. R. Civ. P. 56(c)*. The party moving for summary judgment has the initial burden of demonstrating the absence of any genuine issue of material fact. *See Celotex Corp. v. Catrett, 477 U.S. 317 (1986),* and *Sweats Fashions Inc. v. Pannill Knitting Co., 833 F.2d 1560, 4 USPQ2d 1793 (Fed. Cir. 1987).* A factual dispute is genuine if, on the evidence of record, a reasonable finder of fact could resolve the matter in favor of the non-moving party. *See Opryland USA Inc. v. Great American Music Show Inc., 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992),* and *Olde Tyme Foods Inc. v. Roundy's Inc., 961 F.2d 200, 22 USPQ2d 1542 (Fed. Cir. 1992).* The evidence must be viewed in a light most favorable to the non-movant, and all justifiable inferences are to be drawn in the non-movant's favor. *See Lloyd's Food Products Inc. v. Eli's Inc., 987 F.2d 766, 25 USPQ2d 2027 (Fed. Cir. 1993),* and *Opryland USA, supra.*

Petitioner's Motion for [*11] *Summary Judgment*

We consider petitioner's motion for summary judgment first. n7 Petitioner moves for summary judgment on the ground that there is no genuine issue that respondent's CASHFLOW marks are merely descriptive.

n7 We construe petitioner's motion as a motion for partial summary judgment in that petitioner has alleged three different grounds for cancellation under the amended petitions to cancel but has only moved for summary judgment on one of those grounds.

In response, respondent has only argued that petitioner's motion for summary judgment is based on an unpleaded issue and should be denied.

Inasmuch as respondent has not had an opportunity to respond to petitioner's motion for summary judgment, and in view of our granting petitioner's motion to amend to add the ground of descriptiveness earlier in this order, a decision on petitioner's motion for summary judgment would be premature without briefing by respondent. Accordingly, a decision on petitioner's motion for summary judgment on the ground of descriptiveness is hereby deferred pending the filing by respondent of a response on the merits.

Petitioner's Motion for Clarification

Petitioner's motion for [*12] clarification, filed September 4, 2001 (in conjunction with petitioner's reply in support of its motion for summary judgment), requesting that the Board clarify whether respondent needs to file a response on the merits to petitioner's motion for summary judgment is moot.

Respondent is allowed until SIXTY DAYS from the mailing date of this order to file its response to petitioner's motion for summary judgment on the ground of descriptiveness, and petitioner is allowed until SEVENTY-FIVE DAYS from the mailing date of this order to file a reply. n8

n8 These deadlines account for deadlines set, infra, in regard to amendment of the pleadings.

Respondent's Motion for Summary Judgment

We now consider respondent's motion for summary judgment on the ground that there is no genuine issue that it has abandoned its CASHFLOW trademarks, which are the subjects of Reg. Nos. 2,209,531 and 2,298,545. We have carefully considered the parties' arguments and evidence in the record before us.

Initially, we find that petitioner has not pleaded a valid claim of abandonment under either the original petitions to cancel or the amended petitions to cancel, so as to provide fair notice to respondent [*13] of the theory of abandonment. It is well settled that in order to set forth a claim on the ground of abandonment, a petitioner must allege ultimate facts pertaining to the alleged abandonment. *See Clubman's Club Corporation v. Martin, 188 USPQ 455, 456 (TTAB 1975).* In this case, petitioner has provided no facts to support its conclusory allegation of abandonment in paragraph no. 4 of the original petitions to cancel (or paragraph 5 of the first amended petitions to cancel). Accordingly, petitioner's pleading of abandonment is legally insufficient, and a further amended pleading properly setting forth a claim of abandonment is required.

Nevertheless, the matter before us is, in any event, whether respondent has established the absence of any genuine issue of material fact regarding petitioner's claim of abandonment. If not, the motion may be denied now, without regard to any potential amended claim of abandonment.

We conclude that genuine issues of material fact exist, at a minimum, regarding whether respondent's use of the CASHFLOW marks constitutes commercial trademark use of the type common to the particular industry to which respondent belongs; and whether for [*14] purposes of maintaining or establishing trademark use, respondent's use would be considered deliberate and continuous use, or at least constitute an active and public attempt to establish such a trade in the goods. n9

n9 The fact that we have identified and discussed only a few genuine issues of material fact as reasons for denying respondent's motion for summary judgment should not be construed as a finding that these are necessarily the only issues which remain for trial.

Accordingly, respondent's motion for summary judgment is denied.

Amendment of Pleadings

In view of the insufficiency of petitioner's pleading of abandonment of its original and amended pleadings, as discussed above, petitioner is allowed until THIRTY DAYS from the mailing date of this order to file amended petitions to cancel which sufficiently set forth a claim of abandonment, whether through pleading of a prima facie case under the statute or by pleading specific facts supporting petitioner's theory of abandonment, failing which, the Board will consider the abandonment claim to have been withdrawn, and proceedings will go forward on the claims of

descriptiveness and partial restriction as set [*15] forth in the first amended pleadings. Respondent is allowed until SIXTY DAYS from the mailing date of this order to file an answer to petitioner's prospective amended pleadings, if filed. In the event that no further amended pleadings are filed by petitioner, respondent is allowed until SIXTY DAYS from the mailing date of this order to file amended answers to the first amended pleadings. Respondent's time to file amended answers will not be extended, and failure to respondent within the time set forth in this order will place respondent in default.

Motion in Limine

Turning next to petitioner's motion in limine, petitioner asks the Board to prospectively exclude any evidence regarding commercial use by respondent which might be presented by respondent at trial, to the extent that such evidence is inconsistent with respondent's discovery responses, or consists of material respondent failed to produce in discovery.

Petitioner's motion in limine is denied. It is not the Board's practice to make prospective or hypothetical evidentiary rulings such as those requested by petitioner. *See Greenhouse Systems Inc. v. Carson, 37 USPQ2d 1748, 1750 (TTAB 1995).*

[*16] Motion to Extend/Reopen Discovery

We now turn to petitioner's motion to extend, filed June 11, 2001, and petitioner's alternative motion to reopen, filed August 6, 2001. In view of the Board's decision granting petitioner's motion to amend the petitions, and the determination that, should proceedings resume, a brief reopening of the discovery period would be warranted, petitioner's motion to extend discovery and alternative motion to reopen discovery are moot.

Summary

In summary, petitioner's motion to amend is granted to the extent that petitioner may plead the additional grounds of descriptiveness and partial cancellation; petitioner's pleading of abandonment in both the original and amended pleadings is insufficient and must be amended as discussed herein; petitioner's motion for clarification is moot; petitioner's motion to extend and alternative motion to reopen are moot; petitioner's motion in limine is denied; petitioner's motion for 56(f) discovery is denied; respondent's motion for summary judgment is denied; and petitioner's motion for summary judgment on the ground of descriptiveness is deferred pending submission of a brief on the merits by respondent, and, [*17] should proceedings resume, limited discovery will be reopened for a brief period for the parties.

Proceedings presently remain otherwise suspended pending further briefing of and a decision on petitioner's motion for summary judgment. Any paper filed during the pendency of petitioner's motion for summary judgment which is not relevant thereto will be given no consideration.

Legal Topics:

For related research and practice materials, see the following legal topics:
Trademark LawInfringement ActionsSummary JudgmentStandardsTrademark LawProtection of RightsGeneral OverviewTrademark LawU.S. Trademark Trial & Appeal Board ProceedingsCancellationsGeneral Overview

EXHIBIT 4

Media Online Inc. v. El Clasificado, Inc.

Cancellation No. 92047294

Trademark Trial and Appeal Board

2008 TTAB LEXIS 52

September 29, 2008, Decided

JUDGES: [*1]

Before Rogers, Cataldo and Bergsman, Administrative Trademark Judges.

OPINION:

THIS DISPOSITION **IS A PRECEDENT OF THE T.T.A.B**.

By the Board:

On March 21, 2007, petitioner filed a petition to cancel respondent's registration for the mark EL CLASIFICADO ONLINE for "placing advertisements of others on a website via a global computer network" in International Class 35. n1 Petitioner seeks to cancel respondent's registration on the ground that respondent's mark so resembles petitioner's previously used CLASIFICADOSONLINE.COM and CLASIFICADOS ONLINE marks for various Internet advertising and other related services that it is likely to cause confusion, mistake, or deception of prospective consumers under *Section 2(d)* of the Lanham Act. n2 In the petition to cancel, petitioner asserts priority based on a date of first use of November 27, 1999. The allegations set forth in the petition to cancel are verified by Jose Martinez, Vice-President of petitioner. n3

n1 Registration No. 2779820, filed November 4, 1999 and issued on November 4, 2003, alleging May 20, 2003 as the date of first use anywhere and in commerce. The registration contains the statement that the words "EL CLASIFICADO" translate in English to "THE CLASSIFIEDS" as well as a disclaimer of the word ONLINE.

[*2]

n2 In the petition to cancel, not all averments were made in numbered paragraphs as required by *Fed. R. Civ. P. 10(b)*. Nonetheless, respondent formulated an answer in numbered paragraphs to correspond to the allegations

contained in the petition to cancel.
n3 Trademark *Rule 2.111(b)* provides that a petition for cancellation need not be verified but must be signed by either the petitioner or petitioner's attorney.

In its answer respondent denied the salient allegations of the petition, and asserted various affirmative defenses.

This case now comes before the Board for consideration of (1) respondent's motion for judgment on the pleadings on petitioner's claim of priority (filed September 24, 2007); and (2) petitioner's cross-motion to amend its pleading to add claims of descriptiveness and fraud (filed October 24, 2007). The motions are fully briefed.

I. **Petitioner's Cross-Motion to Amend its Pleading**

First, we will consider petitioner's cross-motion to amend its pleading to add claims of descriptiveness and fraud. Concurrently therewith, petitioner has submitted an amended [*3] pleading. The relevant excerpts from the newly asserted claims are as follows:

> Paragraph No. 13: Registration No. 2779820, sought to be cancelled, is for the trademark "El Clasificado Online". This service mark is translated in English to "the Classified". A classified is "an advertisement grouped with others according to subject", according to the Merriam-Webster Online Dictionary. As such, this trademark application was refused registration on descriptiveness grounds on April 19, 2000, because it clearly identified a characteristic of the services provided under the same. . . In addition, Registration No. 2779820, sought to be cancelled, is, according to its Certificate of Registration, used for the same services as "Clasificados Online" and www.clasificadosonline.com. Nevertheless, when www.elclasificadoonline.com is accessed through the Internet, anyone can see that it does not offer the services its Certificate states. . . . As such, fraud was committed as to the services offered by Registrant in its application for registration.

For the reasons explained below, petitioner's motion for leave to amend is denied.

Under *Fed. R. Civ. P. 15(a)*, leave to amend pleadings [*4] shall be freely given when justice so requires. Consistent therewith, the Board liberally grants leave to amend pleadings at any stage of the proceeding when justice requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party or parties. *See, for example, Commodore Electronics Ltd. v. CBM Kabushiki Kaisha, 26 USPQ2d 1503 (TTAB 1993)*; *and United States Olympic Committee v. O-M Bread Inc., 26 USPQ2d 1221 (TTAB 1993)*.

The timing of the motion for leave to amend is a major factor in determining whether respondent would be prejudiced by allowance of the proposed amendment. *See* TBMP § 507.02 (2d ed. rev. 2004) and cases cited therein. A motion for leave to amend should be filed as soon as any ground for such amendment, e.g., newly discovered evidence, becomes apparent. A long delay in filing a motion for leave to amend may render the amendment untimely. *See International Finance Company v. Bravo Co., 64 USPQ2d 1597, 1604 (TTAB 2002)*. Any party who delays filing a motion for leave to amend its pleading and, in so delaying, causes prejudice to its adversary, is acting [*5] contrary to the spirit of *Rule 15(a)* and risks denial of that motion. *See* Wright, Miller and Kane, *Federal Practice and Procedure: Civil 2d*, Section 1488 (1990); Chapman, Tips from the TTAB: Amending Pleadings: The Right Stuff, *81 Trademark Reporter 302, 307 (1991)*.

In this instance, we find that petitioner unduly delayed in filing its motion. The new claims appear to be based on facts within petitioner's knowledge at the time the petition to cancel was filed. *See Trek Bicycle Corporation v. StyleTrek Limited, 64 USPQ2d 1540 (TTAB 2001)* (*"Trek Bicycle"*) (motion for leave to amend filed prior to close of discovery but based on facts known to opposer prior to institution of the case denied due to unexplained delay). Indeed, in support of its descriptiveness and fraud claims, petitioner appears to have consulted dictionary definitions and

accessed respondent's web site, actions which could quite easily have been undertaken prior to filing of the petition to cancel, or by any prompt investigation conducted immediately thereafter. Petitioner waited over seven months, however, and until after respondent's motion for judgment before filing the motion [*6] for leave to amend its pleading to add the two additional claims. The only explanation petitioner offers for its delay is that the parties were engaged in settlement discussions, and that it was surprised by respondent's reliance on the "affirmative defense" of priority not pleaded in its answer but purportedly raised as an issue for the first time in this case in respondent's motion for judgment on the pleadings. However, the parties never filed a stipulation or consented motion to suspend proceedings to allow for additional time to pursue settlement talks. Thus, petitioner could not reasonably have concluded that it need not concurrently shoulder its responsibility for moving the case forward and for preparing all possible claims for trial.

Contrary to petitioner's contention, it cannot claim to be unfairly surprised by the motion for judgment on the pleadings, so that amendment of the pleadings would then be appropriate. Priority is an issue in the case simply by virtue of petitioner's pleading of its Section 2(d) claim. As discussed more fully below, in this particular case, respondent relies solely on the filing date of its application in moving for judgment on the pleadings. [*7] It therefore logically follows that there can be no unfair surprise to petitioner with regard to respondent's motion for judgment on the issue of priority, as respondent's ability to rely on its filing date is settled law and the date itself is apparent from the face of respondent's registration.

The Board also finds that respondent would suffer prejudice if petitioner is permitted to add the claims at this juncture. In this particular instance, petitioner did not claim that it learned of these newly asserted claims through discovery or was otherwise unable to learn about these new claims prior to or shortly after filing its first complaint. Petitioner therefore had ample time to file a motion for leave to amend its pleading at an earlier stage in the proceeding. It is incumbent upon petitioner to identify all claims promptly in order to provide respondent with proper notice. Otherwise, allowing piecemeal prosecution of this case would unfairly prejudice respondent by increasing the time, effort, and money that respondent would be required to expend to defend against petitioner's challenge to its registration.

Accordingly, we find that based on the record before us, petitioner unduly [*8] delayed seeking to add its descriptiveness and fraud claims, and has no basis for claiming unfair surprise because respondent now seeks judgment on the original claim.

Lastly, we note that petitioner's proposed fraud claim, as pleaded, is futile. Fraud in procuring or maintaining a trademark registration occurs when an applicant for registration or a registrant in a declaration of use or renewal application knowingly makes false, material representations of fact in connection with an application to register or in a post-registration filing. *See Torres v. Cantine Torresella S.r.l., 808 F.2d 46, 1 USPQ2d 1483 (Fed. Cir. 1986)*; *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha, 186 Fed. Appx. 1005, 77 USPQ2d 1917 (TTAB 2006)*; *Medinol Ltd. v. Neuro Vasx Inc., 67 USPQ2d 1205 (TTAB 2003)*.

In addition, pursuant to Trademark *Rule 2.116(a)*, the sufficiency of petitioner's pleading of its fraud claim in this case also is governed by *Fed. R. Civ. P. 9(b)*, which provides as follows:

> (b) **Fraud, Mistake, Condition of the Mind**. In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity. [*9] Malice, intent, knowledge, and other condition of mind of a person may be averred generally.

We find that petitioner has failed to state a claim for fraud because it has failed to plead particular facts sufficient to establish that respondent knowingly made false statements. As a threshold matter, petitioner's proposed pleading is devoid of any allegations with regard to respondent's scienter. Petitioner's proposed pleading also fails to set forth with particularity the allegedly false statement or statements that purportedly induced the Office to allow registration of respondent's EL CLASIFICADO ONLINE mark. The allegation that respondent currently does not offer the services identified in its registration is insufficient because it lacks details regarding which statement(s) made by respondent

before the Office were purportedly false at the time respondent filed its application.

Accordingly, petitioner's motion for leave to amend its complaint is denied.

II. **Respondent's Motion for Judgment on the Pleadings**

Respondent has moved for judgment on the pleadings on the issue of priority. n4 For the reasons set forth below, respondent's motion is granted. A motion for judgment [*10] on the pleadings is a test solely of the undisputed facts appearing in all the pleadings, supplemented by any facts of which the Board may take judicial notice. For purposes of the motion, all well-pleaded factual allegations of the nonmoving party must be accepted as true, while those allegations of the moving party which have been denied (or which are taken as denied, pursuant to *Fed. R. Civ. P. 8(b)(6)*, because no responsive pleading thereto is required or permitted) are deemed false. Conclusions of law are not taken as admitted. *Baroid Drilling Fluids Inc. v. SunDrilling Products, 24 USPQ2d 1048 (TTAB 1992)*. All reasonable inferences from the pleadings are drawn in favor of the nonmoving party. *Id*. A judgment on the pleadings may be granted only where, on the facts as deemed admitted, there is no genuine issue of material fact to be resolved, and the moving party is entitled to judgment on the substantive merits of the controversy, as a matter of law. *Id*.

n4 Petitioner's motion (filed October 3, 2007) to extend its time to file a responsive brief to respondent's motion for judgment on the pleadings is granted for good cause shown. *See Fed. R. Civ. P. 6(b)*.

[*11]

Based on the pleadings in this case, petitioner cannot prevail on its claim of priority as a matter of law. In its verified petition to cancel attesting to the truthfulness of the factual allegations made therein, petitioner alleges that its pleaded CLASIFICADOSONLINE.COM and CLASIFICADOS ONLINE marks were first used in commerce on November 27, 1999. While the Trademark Rules of Practice do not require verification of the allegations made in a petition to cancel, petitioner chose in this case to verify its claim of first use as of this date.

It is undisputed that respondent filed the application that matured into the registration at issue in this case on November 4, 1999, prior to petitioner's verified date of first use. The Lanham Act provides that respondent may rely on this filing date as its constructive date of first use. *15 U.S.C. Section 1057(c)*; *see e.g., Salacuse v. Ginger Spirits Inc., 44 USPQ2d 1415 (TTAB 1997)* (petitioner may rely on the filing date of his applications as his constructive date of first use). As explained by the Board in *Zirco Corp. v. American Telephone and Telegraph Co., 21 USPQ2d 1542, 1543-44 (TTAB 1991)*: [*12]

> *Section 7(c)* was added to the Lanham Act by the Trademark Law Revision Act of 1988 in order to provide constructive use, dating from the filing date of an application for registration on the principal register, for a mark registered on that register. As a review of the legislative history shows, the provision is intended to fix a registrant's nationwide priority rights in its mark from the filing date of its application whether the application is based on use or intent-to-use. This right of priority is to have legal effect comparable to the earliest use of a mark at common law.

Thus, based on respondent's constructive date of first use, respondent has priority.

Petitioner's argument that respondent is precluded from moving for judgment on the pleadings because it failed to assert prior use as an affirmative defense is, as noted earlier, misplaced. There can be no unfair surprise to petitioner merely because respondent did not allege priority of use as an affirmative defense. Priority is a required element of petitioner's *Section 2(d)* claim. *See 15 U.S.C. § 1052(d)*. Respondent is relying on nothing more than the filing date of the application [*13] that resulted in its registration, a date readily apparent to petitioner from the commencement of

the proceeding, indeed, even from the time respondent's registration was cited against petitioner's pending applications by the examining attorney. Insofar as petitioner lacks priority as a matter of law, petitioner cannot carry its burden of proof in this case.

In view of the foregoing, respondent's motion for judgment on the pleadings pursuant to *Fed. R. Civ. P. 12(c)* is granted. Judgment is hereby entered in favor of respondent and the petition to cancel is denied. n5

n5 In light of our determination, petitioner's combined motion to compel, deem its requests for admission as admitted, and extend the discovery and testimony periods in this case (filed October 3, 2007) is rendered moot.

Legal Topics:

For related research and practice materials, see the following legal topics:
Trademark LawProtection of RightsGeneral OverviewTrademark LawSpecial MarksService MarksRegistrationTrademark LawU.S. Trademark Trial & Appeal Board ProceedingsCancellationsGeneral Overview

EXHIBIT 5

LEXSEE 2005 TTAB LEXIS 284

Kellogg Company and Kellogg North America, assignee n1 v. Shakespeare Company, LLC

n1 In view of the assignments of the pleaded registrations, recorded at the Office's Assignment Branch at Reel 2770, Frame 0791, Kellogg North America is hereby joined as party opposer. See TBMP § 512 (2d ed. rev. 2004). The chain of title involved five sequential assignments dated December 28, 2003, ultimately assigning the marks to Kellogg North America.

Opposition No. 91154502

Trademark Trial and Appeal Board

2005 TTAB LEXIS 284

June 30, 2005, Mailed

JUDGES: [*1]

Before Quinn, Hairston, and Bucher, Administrative Trademark Judges.

OPINION:

THIS OPINION IS NOT CITABLE AS PRECEDENT OF THE T.T.A.B.

By the Board:

Applicant has filed an application to register application Serial No. 76330329 for the mark TIGER for fishing rods and reels in International Class 28. n2

n2 Filed October 25, 2001 under Section 1(a) claiming dates of first use and use in commerce of February 2001.

As grounds for the opposition, opposer alleges that applicant's mark, if used on the identified goods, would so resemble opposer's previously used and registered Tony the Tiger and design marks, as well as its common law use of Tony the Tiger and design marks, as to be likely to cause confusion, mistake or to deceive. Opposer's registered marks are as follows: Registration Nos. 2013885 n3, 2030068 n4 and 2136777 n5 for the following mark:

[SEE ILLUSTRATION IN ORIGINAL]

n3 Registration issued November 5, 1996. Claimed date of first use and first use in commerce 1978. Claimed Registration Nos. 0713628; 1151162; 1303983. Section 8 and 15 accepted and acknowledged June 7, 2002.
n4 Registration issued January 14, 1997. Claimed date of first use and first use in commerce 1985 and claimed use in another form 1963. Claimed Registrations Nos. 0713628; 1151162; 1303983. Section 8 and 15 accepted and acknowledged October 3, 2002.

[*2]

n5 Registration issued February 17, 1998. Claimed date of first use and first use in commerce June 7, 1992. Section 8 and 15 accepted and acknowledged March 16, 2004.

for respectively, "clothing, namely, golf shirts, polo shirts, sport shirts, T-shirts, sweat shirts, night shirts, sweaters, jackets, shorts, caps, stocking hats and scarves" in International Class 25; for "sporting goods and toys, namely, baseballs, golf bags, golf balls, golf club head covers, flying discs, toy vehicles, toy train sets, and Christmas tree ornaments" in International Class 28; and for "entertainment services, namely, participating in motorsports racing events" in International Class 41;

Registration No. 1151162 n6 for the mark for "cereal derived food product to be used as breakfast food; snack food or ingredient for making confection" in International Class 30; and Registration No. 1303983 n7 for the following mark for "cereal-derived food product to be used as a breakfast food, snack food or ingredient for making food" in International Class 30. Opposer has claimed common law priority of its Tony the Tiger and design marks for various promotional and licensed products.

[SEE ILLUSTRATION [*3] IN ORIGINAL]

[SEE ILLUSTRATION IN ORIGINAL]

n6 Registration issued April 14, 1981. Claimed date of first use and first use in commerce April 10, 1978. Claimed Registration Nos. 0605890; 0713628. First renewal July 6, 2001.
n7 Registration issued November 6, 1984. Claimed date of first use and first use in commerce October 1957. Claimed Registration Nos. 0605890; 0713628; 1146450. Section 8 and 15 accepted and acknowledged February 1, 1990.

Applicant filed an answer denying the salient allegations in the notice of opposition.

This case now comes up on the following motions:

1) applicant's motion for summary judgment on the grounds of priority and likelihood of confusion, filed January 5, 2005;

2) opposer's motion to amend its notice of opposition, filed February 4, 2005;

3) opposer's cross-motion n8 for summary judgment on the grounds of descriptiveness and dilution, filed February 11, 2005; and

4) applicant's motion to strike portions of opposer's summary judgment response brief, filed March 3, 2005.

n8 Although it is not entirely clear, it appears that opposer has cross-moved for summary judgment on these grounds.

We [*4] turn first to the motion for summary judgment.

Applicant has argued that there is no genuine issue of material fact that it has priority of use with fishing rods with respect to the word mark TIGER n9 and that there is no likelihood of confusion between the parties marks due to the dissimilarities of the marks, the dissimilarities of the goods, the dissimilarities of the channels of trade, the weakness of TIGER word and design marks on the Principal Register, and contemporaneous use of the parties' marks without actual confusion. As evidence of the narrow scope of protection to which opposer's marks are afforded, applicant submitted

numerous third party registrations of TIGER word and design marks in a variety of classes, including class 28.

n9 In its motion for summary judgment, applicant has asserted an earlier date of first use in commerce than the date alleged in the subject application. Applicant is advised that "where an applicant seeks to prove a date earlier than the date alleged in its application the proof of such earlier date must be by clear and convincing evidence." *Hydro Dynamics Inc. v. George Putnam & Company, Inc., 1 USPQ2d 1772, 1773-74 (Fed. Cir. 1987).*

[*5]

In response, opposer has asserted that confusion is likely and has also pointed to the fame of its Tiger marks. As evidence of fame, opposer has provided the declaration of David Herdman, corporate counsel for trademarks for opposer and accompanying exhibits. n10

n10 The Herdman declaration states that since 1952 opposer has had expenditures of over $ 1.5 billion on advertising and promotions of its Tiger marks and sales of over $ 7 billion of cereal products featuring its Tiger marks; that a 1991 character recognition study and a 1995 "Star Power" study established respectively, 97 percent and 96 percent awareness of opposer's Tiger marks; that its Tiger mark was recognized as one of the top ten advertising icons of the twentieth century by Advertising Age; that an A&E television special identified opposer's Tiger marks as the "number two commercial icon in television history"; and that in 2004 its Tony marks were recognized for the Madison Avenue Walk of Fame as a result of an an online public poll of 600,000 people on USA Today and Yahoo websites.

A party is entitled to summary judgment when it has demonstrated that there are no genuine issues as to any material fact [*6] and that it is entitled to judgment as a matter of law. *Fed. R. Civ. P. 56 (c).* All doubts as to whether or not particular factual issues are genuinely in dispute must be resolved against the moving party, and the evidence of record and any inferences that may be drawn from the underlying facts must be viewed in the light most favorable to the nonmoving party. *Olde Tyme Foods Inc. v. Roundy's Inc., 961 F.2d 200, 202 22 USPQ2d 1542, 1544 (Fed. Cir. 1992).*

Upon careful consideration of the arguments of the parties and the evidence presented, we find, at a minimum, that there is a genuine issue of material fact as to whether the fame and scope of protection afforded to opposer's marks extend to preclude registration of applicant's mark. n11

n11 The fact that we have identified only one genuine issue of material fact as a sufficient basis for denying applicant's motion for summary judgment should not be construed as a finding that this is necessarily the only issue that remains for trial.

Accordingly, applicant's motion for summary judgment is denied. n12

n12 The parties are reminded that any evidence submitted with a motion for summary judgment is only considered of record for purposes of that motion, unless it is properly introduced in evidence during the appropriate testimony period. See TBMP § 528.05(a) (2d ed. rev. 2004).

[*7]

We now turn to opposer's motion to amend. The notice of opposition was filed on December 5, 2002. Opposer now seeks to add the additional grounds of 1) descriptiveness, 2) the mark shown in the drawing of the subject application is not an exact representation of the mark as used on or in connection with the goods as shown on the specimens of use; and 3) dilution. Opposer also seeks to add Registration No. 2916395 n13 for the word mark TONY THE TIGER and has supplemented its allegations regarding its claim of likelihood of confusion.

n13 Filed December 19, 2003 under Section 1(a) for the following goods in International Class 30: "processed, cereal-derived food product to be used as a breakfast food, snack food and ingredient for making food." Registration issued January 4, 2005. Claimed date of first use and first use in commerce 1952. Claimed Registrations 1151162; 1303983; 1697609.

In support of its motion, opposer asserts that "the issues sought to be raised in the amended notice of opposition only came to light or took on legal importance when applicant filed a motion for summary judgment"; that applicant will not be prejudiced by the granting of the motion; and that [*8] justice will be served by allowing the new issues raised in the amended pleading.

In response, applicant argues that to allow amendment at this stage would be prejudicial to applicant in view of its reliance for two years on the notice of opposition as filed; and that each of the three additional bases for opposition are "specious" and would not add any viable claims to the opposition.

The Board liberally grants leave to amend pleadings at any stage of a proceeding when justice so requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party. See *Fed. R. Civ. P. 15 (a)* and TBMP § 507.02 (2d ed. rev. 2004).

In deciding a motion for leave to amend, the Board must consider whether there is any undue prejudice to non-movant and whether the amendment is legally sufficient and not futile. *See, e.g., Leatherwood Scopes International Inc. v. Leatherwood, 63 USPQ2d 1699 (TTAB 2002).* The question of prejudice is largely dependent upon the timing of the motion to amend, and the burden to explain a delay is on the party that seeks leave to amend. See TBMP § 507.02 [*9] (a) (2d ed. rev. 2004) and *Trek Bicycle Corporation v. StyleTrek Limited, 64 USPQ2d 1540, 1541 (TTAB 2001).* Thus, the question of delay requires the Board to focus on opposer's reasons for failing to seek leave to amend sooner.

In the instant case, opposer's request to amend the notice of opposition comes over two years after the filing of the notice of opposition. Opposer offers no explanation or sufficient justification as to why it failed to raise these claims at the time of filing the notice of opposition when opposer had in its possession sufficient facts to allege such claims and/or through reasonable effort could have known of these claims. All of the facts forming the basis for the amended grounds were known or should have been known far earlier and, in all likelihood, were available at the time of opposer's original amended pleading. Over the two-year period between the filing of the original notice of opposition and the filing of the motion to amend, opposer had numerous opportunities to amend its pleading but failed to take advantage of them. Additionally, because discovery has long been closed as of August 4, 2003 as set forth under the institution order, [*10] allowing such claims would require the reopening of discovery relative to these newly alleged claims which would entail further delay of trial. n14 Lastly, as stated above, opposer has offered no valid reason for the delay and we conclude none exists.

> n14 Although opposer has asserted in its motion to amend that discovery is open in this proceeding, discovery in this case closed on August 4, 2003 under the original scheduling order. Throughout this proceeding, the parties never requested an extension of the discovery period but instead sought repeated extensions of the testimony period until proceedings were suspended sua sponte by the Board for six months on June 15, 2004 for purposes of the parties' settlement negotiations. The Board's resumption order of January 7, 2005, which crossed in the mail with applicant's January 5, 2005 motion for summary judgment, reopened discovery in error and therefore, the January 7, 2005 Board order is hereby vacated.

With regard to adding the recently registered Tony the Tiger mark as a pleaded registration, opposer has provided no explanation as to why it did not amend the notice of opposition sooner to add the underlying application [*11] which was filed on December 19, 2003, and we note that opposer did not seek to add the recently issued registration until after discovery closed and after applicant filed its motion for summary judgment. The Board cannot ignore the timing of the motion to amend. Accordingly, we find, in view of the lack of any sufficient explanation by opposer, that opposer unduly delayed in filing its motion for leave to amend. *See Foman v. Davis, 371 U.S. 178, 182 (1962)* (factors justifying denial of a motion to amend include "undue delay, bad faith, or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, [and] futility of the amendment"); *Trek Bicycle Corporation v. StyleTrek Limited, 64 USPQ2d at 1541* (motion to amend to add dilution claim eight months after filing notice of opposition denied due to undue delay). *See also Rolo v. City Investing Co. Liquidating Trust, 155 F.3d 654, 654-55 (3d Cir. 1998)* (rejecting

proposed second amended complaint where plaintiffs were repleading facts that could have been [*12] pled earlier); *Floyd v. Mo. Dep't of Soc. Serv., 188 F.3d 932, 939 (8th Cir. 1999)* (affirmed denial of motion for leave to amend based on undue delay because plaintiff had knowledge of the material information two years before seeking amendment); *Svoboda v. Trane Co., 655 F.2d 898, 899-900* (8<th> Cir. 1981) (affirming denial of leave to amend where plaintiff knew the facts supporting new claim when original complaint was filed and defendants had already conducted extensive discovery; and *Lorenz v. CSX Corp. 1 F.3d 1406, 1414 (3d Cir. 1993)* (three year lapse between filing of complaint and proposed amendment was "unreasonable" delay where plaintiff had "numerous opportunities" to amend).

In view thereof, opposer's motion to amend is denied.

To the extent that opposer in its response brief to applicant's motion for summary judgment moved for summary judgment on the grounds set forth in its motion to amend and/or provided argument on these grounds in an effort to raise a genuine issue, they are not part of the case since we are not allowing amendment to the pleadings and therefore, these arguments have not been considered. n15 *See* [*13] *Paramount Pictures Corp. v. White, 31 USPQ2d 1768, 1772 (TTAB 1994)* (party may not obtain summary judgment on unpleaded ground).

n15 In view thereof, applicant's motion to strike portions of opposer's response brief is moot.

Proceedings are resumed. Trial dates are reset as follows:

DISCOVERY PERIOD TO CLOSE:	CLOSED
30-day testimony period for party in position of plaintiff to close:	September 30, 2005
30-day testimony period for party in position of defendant to close:	November 29, 2005
15-day rebuttal testimony period for party in position of plaintiff to close:	January 13, 2006

In each instance, a copy of the transcript of testimony together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of the taking of testimony. Trademark Rule 2.125.

Briefs shall be filed in accordance with Trademark Rule 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Trademark Rule 2.129.

Legal Topics:

For related research and practice materials, see the following legal topics:
Trademark LawConveyancesGeneral OverviewTrademark LawProtection of RightsGeneral OverviewTrademark LawU.S. Trademark Trial & Appeal Board ProceedingsOppositionsGrounds

GRAPHIC:

Illustration 1, no caption; Illustration 2, no caption; Illustration 3, no caption

EXHIBIT 6

LEXSEE 2009 U.S. APP. LEXIS 19658

Analysis
As of: Oct 05, 2009

IN RE BOSE CORPORATION, Appellant.

2008-1448

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2009 U.S. App. LEXIS 19658

August 31, 2009, Decided

PRIOR HISTORY: [*1]

Appealed from: United States Patent and Trademark Office Trademark, Trial and Appeal Board. (Opposition No. 91/157,315).

Bose Corp. v. Hexawave, Inc., 2007 TTAB LEXIS 91 (Trademark Trial & App. Bd., Nov. 6, 2007)

DISPOSITION: REVERSED and REMANDED.

COUNSEL: Charles Hieken, Fish & Richardson P.C., of Boston, Massachusetts, argued for appellant. With him on the brief was Amy L. Brosius.

Raymond T. Chen, Solicitor, Office of the Solicitor, United States Patent and Trademark Office, of Arlington, Virginia, argued for the Director of the United States Patent and Trademark Office. With him on the brief were Thomas V. Shaw and Christina J. Hieber, Associate Solicitors.

Susan J. Hightower, Pirkey Barber LLP, of Austin, Texas, argued for amicus curiae, American Intellectual Property Law Association. With her on the brief was William G. Barber. Of counsel on the brief was James H. Pooley, American Intellectual Property Law Association, of Arlington, Virginia.

JUDGES: Before MICHEL, Chief Judge, DYK, and MOORE, Circuit Judges.

OPINION BY: MICHEL

OPINION

MICHEL, *Chief Judge*.

The Trademark Trial and Appeal Board ("Board") found that Bose Corporation ("Bose") committed fraud on the United States Patent and Trademark Office ("PTO") in renewing Registration No. 1,633,789 for the trademark WAVE. *Bose Corp. v. Hexawave, Inc., 88 USPQ2d 1332, 1338 (T.T.A.B. 2007)*. [*2] Bose appeals the Board's order cancelling the registration in its entirety. Because there is no substantial evidence that Bose intended to deceive the PTO in the renewal process, we reverse and remand.

I. BACKGROUND

Bose initiated an opposition against the HEXAWAVE trademark application by Hexawave, Inc. ("Hexawave"), alleging, *inter alia*, likelihood of confusion with Bose's prior registered trademarks, including WAVE. *Bose, 88 USPQ2d at 1333*. Hexawave counterclaimed for cancellation of Bose's WAVE mark, asserting that Bose committed fraud in its registration

renewal application when it claimed use on all goods in the registration while knowing that it had stopped manufacturing and selling certain goods, *Id*.

The fraud alleged by Hexawave involves Bose's combined Section 8 affidavit of continued use and Section 9 renewal application ("Section 8/9 renewal"), [1] signed by Bose's general counsel, Mark E. Sullivan, and filed on January 8, 2001. *Bose, 88 USPQ2d at 1335*. In the renewal, Bose stated that the WAVE mark was still in use in commerce on various goods, including audio tape recorders and players. *Id. at 1333*. The Board found that (1) Bose stopped manufacturing and selling audio tape [*3] recorders and players sometime between 1996 and 1997; and (2) Mr. Sullivan knew that Bose discontinued those products when he signed the Section 8/9 renewal. *Id. at 1334-35*.

> 1 Federal trademark registrations issued on or after November 16, 1989, remain in force for ten years, and may be renewed for ten-year periods. To renew a registration, the owner must file an Application for Renewal under *Section 9*. In addition, at the end of the sixth year after the date of registration and at the end of each successive ten-year period after the date of registration, the owner must file a *Section 8* Declaration of Continued Use, "an affidavit setting forth those goods or services recited in the registration on or in connection with which the mark is in use in commerce. . . ." *15 U.S.C. § 1058(b)(1)*; *see also, id. §§ 1058, 1059*.

At the time Mr. Sullivan signed the Section 8/9 renewal, Bose continued to repair previously sold audio tape recorders and players, some of which were still under warranty. *Bose, 88 USPQ2d at 1335*. Mr. Sullivan testified that in his belief, the WAVE mark was used in commerce because "in the process of repairs, the product was being transported back to customers." *Id*. The Board [*4] concluded that the repairing and shipping back did not constitute sufficient use to maintain a trademark registration for goods. *Id. at 1337*. It further found Mr. Sullivan's belief that transporting repaired goods constituted use was not reasonable. *Id. at 1338*. Finally, the Board found that the use statement in the Section 8/9 renewal was material. *Id*. Asa result, the Board ruled that Bose committed fraud on the PTO in maintaining the WAVE mark registration and ordered the cancellation of Bose's WAVE mark registration in its entirety. *Id*. Later, the same panel denied Bose's Request for Reconsideration. *Bose Corp. v. Hexawave, Inc., Opposition No. 91157315, 2007 TTAB LEXIS 91, 2008 WL 1741913 (T.T.A.B. Apr. 9, 2008)*.

Bose appealed. Because the original appellee Hexawave did not appear, the PTO moved, and the court granted leave to the Director, to participate as the appellee. We have jurisdiction pursuant to *15 U.S.C. § 1071(a)* and *28 U.S.C § 1295(a)(4)(B)*.

II. DISCUSSION

This court reviews the Board's legal conclusions de novo. *In re Int'l Flavors & Fragrances Inc., 183 F.3d 1361, 1365 (Fed. Cir. 1999)*. We review the Board's factual findings for substantial evidence. *Recot, Inc. v. Becton, 214 F.3d 1322, 1327 (Fed. Cir. 2000)*.

A [*5] third party may petition to cancel a registered trademark on the ground that the "registration was obtained fraudulently." *15 U.S.C. § 1064(3)*. "Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representations of fact in connection with his application." *Torres v. Cantine Torresella S.r.l., 808 F.2d 46, 48 (Fed. Cir. 1986)*. A party seeking cancellation of a trademark registration for fraudulent procurement bears a heavy burden of proof. *W.D. Byron & Sons, Inc. v. Stein Bros. Mfg. Co., 377 F.2d 1001, 1004, 54 C.C.P.A. 1442 (CCPA 1967)*. Indeed, "the very nature of the charge of fraud requires that it be proven 'to the hilt' with clear and convincing evidence. There is no room for speculation, inference or surmise and, obviously, any doubt must be resolved against the charging party." *Smith Int'l, Inc. v. Olin Corp., 209 USPQ 1033, 1044 (T.T.A.B. 1981)*.

The Court of Customs and Patent Appeals ("CCPA"), our predecessor whose decisions are binding on this court, explained that, before the PTO, "[a]ny 'duty' owed by an applicant for trademark registration must arise out of the statutory requirements of the Lanham Act," which prohibit an applicant [*6] from making "*knowingly* inaccurate or *knowingly* misleading statements." *Bart Schwartz Int'l Textiles, Ltd. v. Fed. Trade Comm'n, 289 F.2d 665, 669, 48 C.C.P.A. 933, 1961 Dec. Comm'r Pat. 335 (CCPA 1961)*. Therefore, the court stated that, absent the requisite intent to mislead the PTO, even a material misrepresentation would not qualify as fraud under the Lanham Act warranting cancellation. *King Auto., Inc. v. Speedy Muffler King, Inc., 667 F.2d*

1008, 1011 n.4 (CCPA 1981).

Mandated by the statute and caselaw, the Board had consistently and correctly acknowledged that there is "a material legal distinction between a 'false' representation and a 'fraudulent' one, the latter involving an intent to deceive, whereas the former may be occasioned by a misunderstanding, an inadvertence, a mere negligent omission, or the like." *Kemin Indus., Inc. v. Watkins Prods., Inc., 192 USPQ 327, 329 (T.T.A.B. 1976)*. In other words, deception must be willful to constitute fraud. *Smith Int'l, 209 USPQ at 1043*; *see also Woodstock's Enters. Inc. (Cal.) v. Woodstock's Enters. Inc. (Or.), 43 USPQ2d 1440, 1443 (T.T.A.B. 1997)*; *First Int'l Servs. Corp. v. Chuckles, Inc., 5 USPQ2d 1628, 1634 (T.T.A.B. 1988)*; *Giant Food, Inc. v. Standard Terry Mills, Inc., 229 USPQ 955, 962 (T.T.A.B. 1986)*.

Several [*7] of our sister circuits have also required proof of intent to deceive before cancelling a trademark registration. *See, e.g., Far Out Prods., Inc. v. Oskar, 247 F.3d 986, 996 (9th Cir. 2001)* (stating that an affidavit was fraudulent only if the affiant acted with scienter); *Aromatique, Inc. v. Gold Seal, Inc., 28 F.3d 863, 877-78 (8th Cir. 1994)* (per curiam) ("In order to show that an applicant defrauded the PTO the party seeking to invalidate a mark must show that the applicant intended to mislead the PTO."); *Meineke Discount Muffler v. Jaynes, 999 F.2d 120, 126 (5th Cir. 1993)* ("To succeed on a claim of fraudulent registration, the challenging party must prove by clear and convincing evidence that the applicant made false statements with the intent to deceive [the PTO]."); *San Juan Prods., Inc. v. San Juan Pools of Kan., Inc., 849 F.2d 468, 472 (10th Cir. 1988)* (stating that in determining whether a statement is fraudulent, courts must focus on the "declarant's subjective, honestly held, good faith belief" (internal quotation marks and emphasis omitted)); *Money Store v. Harriscorp Fin., Inc., 689 F.2d 666, 670 (7th Cir. 1982)* ("Fraud will be deemed to exist only when there is a deliberate [*8] attempt to mislead the Patent Office into registering the mark.").

The Board stated in *Medinol v. Neuro Vasx, Inc*. that to determine whether a trademark registration was obtained fraudulently, "[t]he appropriate inquiry is ... not into the registrant's subjective intent, but rather into the objective manifestations of that intent." *67 USPQ2d 1205, 1209 (T.T.A.B. 2003)*. We understand the Board's emphasis on the "objective manifestations" to mean that "intent must often be inferred from the circumstances and related statement made." *Id*. (internal quotation marks omitted) (quoting *First Int'l Servs., 5 USPQ2d at 1636*). We agree. However, despite the long line of precedents from the Board itself, from this court, and from other circuit courts, the Board went on to hold that "[a] trademark applicant commits fraud in procuring a registration when it makes material representations of fact in its declaration which it knows or *should know* to be false or misleading." *Id*. (emphasis added). The Board has since followed this standard in several cancellation proceedings on the basis of fraud, including the one presently on appeal. *See Bose, 88 USPQ2d at 1334*.

By equating "should have known" of the falsity [*9] with a subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard. *See Ileto v. Glock, Inc., 565 F.3d 1126, 1155 (9th Cir. 2009)* ("Knowing conduct thus stands in contrast to negligent conduct, which typically requires only that the defendant knew or *should have known* each of the facts that made his act or omission unlawful. . . ."); *see also Davis v. Monroe County Bd. of Educ. 526 U.S. 629, 642, 119 S. Ct. 1661, 143 L. Ed. 2d 839 (1999)* (explaining that in *Gebser v. Lago Vista Independent School District, 524 U.S. 274, 118 S. Ct. 1989, 141 L. Ed. 2d 277 (1998)*, the Court "declined the invitation to impose liability under what amounted to a negligence standard--holding the district liable for its failure to react to teacher-student harassment of which it knew or *should have* known. Rather, [the Court] concluded that the district could be liable for damages only where the district itself intentionally acted in clear violation of Title IX by remaining deliberately indifferent to acts of teacher-student harassment of which it had actual knowledge.").

We have previously stated that "[m]ere negligence is not sufficient to infer fraud or dishonesty." *Symbol Techs., Inc. v. Opticon, Inc., 935 F.2d 1569, 1582 (Fed. Cir. 1991)*. [*10] We even held that "a finding that particular conduct amounts to 'gross negligence' does not of itself justify an inference of intent to deceive." *Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867, 876 (Fed. Cir. 1988)* (en banc). The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases. After all, an allegation of fraud in a trademark case, as in

any other case, should not be taken lightly. *San Juan Prods., 849 F.2d at 474* (quoting *Anheuser-Busch, Inc. v. Bavarian Brewing Co., 264 F.2d 88, 92, 84 Ohio Law Abs. 97 (6th Cir. 1959))*. Thus, we hold that a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO.

Subjective intent to deceive, however difficult it may be to prove, is an indispensable element in the analysis. Of course, "because direct evidence of deceptive intent is rarely available, such intent can be inferred from indirect and circumstantial evidence. But such evidence must still be [*11] clear and convincing, and inferences drawn from lesser evidence cannot satisfy the deceptive intent requirement." *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357, 1366 (Fed. Cir. 2008)*. When drawing an inference of intent, "the involved conduct, viewed in light of all the evidence . . . must indicate sufficient culpability to require a finding of intent to deceive." *Kingsdown, 863 F.2d at 876*.

The Board in *Medinol* purportedly relied on this court's holding in *Torres* to justify a "should have known" standard. The Board read *Torres* too broadly. In that case, Torres obtained the trademark registration for "Las Torres" below a tower design. *Torres, 808 F.2d at 47*. The trademark was registered for use on wine, vermouth, and champagne. *Id*. In the renewal application, Torres submitted an affidavit stating that the mark as registered was still in use in commerce for each of the goods specified in the registration. *Id*. He even attached a specimen label with the registered mark displayed. *Id*. In fact, Torres was not using the mark as registered. *Id*. Instead, five years prior to the renewal application, Torres had admittedly altered the mark to "Torres" in conjunction with a [*12] different tower design. *Id*. In addition, Torres knew that even the altered mark was in use only on wine. *Id*. In other words, the registrant knowingly made false statements about the trademark and its usage when he filed his renewal application. *Id*.

True, the court concluded that

> If a registrant files a verified renewal application stating that his registered mark is currently in use in interstate commerce and that the label attached to the application shows the mark as currently used when, in fact, he knows or should know that he is not using the mark as registered and that the label attached to the registration is not currently in use, he has knowingly attempted to mislead the PTO.

Id. at 49. However, one should not unduly focus on the phrase "should know" and ignore the facts of the case, i.e., the registrant "knows." Doing so would undermine the legal framework the court set out in *Torres*. Indeed, in *Torres*, the court cited various precedents--some persuasive, others binding on the court--and reemphasized several times that (1) fraud in trademark cases "occurs when an applicant knowingly makes false, material representations," (2) the Lanham Act imposes on an applicant the obligation [*13] not to "make *knowingly* inaccurate or *knowingly* misleading statements," and (3) a registrant must also "refrain from knowingly making false, material statements." *Id. at 48*. The "should know" language, if it signifies a simple negligence or a gross negligence standard, is not only inconsistent with the framework set out elsewhere in *Torres*, but would also have no precedential force as it would have conflicted with the precedents from CCPA. *See Newell Cos. v. Kenney Mfg. Co., 864 F.2d 757, 765 (Fed. Cir. 1988)*. Certainly, the prior CCPA decisions cited in the *Torres* opinion were precedents binding on the *Torres* court. *See S. Corp. v. United States, 690 F.2d 1368, 1369 (Fed. Cir. 1982)*. In fact, they still bind us because they have never been overturned en banc. [2]

> 2 The PTO argues that under *Torres*, making a submission to the PTO with reckless disregard of its truth or falsity satisfies the intent to deceive requirement. We need not resolve this issue here. Before Sullivan submitted his declaration in 2001, neither the PTO nor any court had interpreted "use in commerce" to exclude the repairing and shipping repaired goods. Thus, even if we were to assume that reckless disregard qualifies, [*14] there is no basis for finding Sullivan's conduct reckless.

Metro Traffic Control, Inc. v. Shadow Network Inc., 104 F.3d 336 (Fed. Cir. 1997) further supports our reading that the *Torres* holding does not deviate from the established rule that intent to deceive is required to find fraud. In *Metro Traffic Control*, the court cited *Torres* and reaffirmed that fraud can only be found if there is "a willful intent to deceive." *104 F.3d at 340*. As a result, the court agreed with the Board that the applicant's

statements, "though false, were not uttered with the intent to mislead the PTO." *Id. at 340-41*. Because the applicant's "misstatements did not represent a 'conscious effort to obtain for his business a registration to which he knew it was not entitled,'" the court affirmed the Board's ruling of no fraud. *Id. at 341*; *see also L.D. Kichler Co. v. Davoil, Inc., 192 F.3d 1349, 1352 (Fed. Cir. 1999)* (remanding the case so the district court may determine whether the trademark applicant "knowingly submitted a false declaration with an intent to deceive").

Applying the law to the present case, Mr. Sullivan, who signed the application, knew that Bose had stopped manufacturing and selling audio tape [*15] recorders and players at the time the Section 8/9 renewal was filed. Therefore, the statement in the renewal application that the WAVE mark was in use in commerce on all the goods, including audio tape recorders and players, was false. Because Bose does not challenge the Board's conclusion that such a statement was material, we conclude that Bose made a material misrepresentation to the PTO.

However, Mr. Sullivan explained that in his belief, Bose's repairing of the damaged, previously-sold WAVE audio tape recorders and players and returning the repaired goods to the customers met the "use in commerce" requirement for the renewal of the trademark. The Board decided that Bose's activities did not constitute sufficient use to maintain a trademark registration. *See Bose, 88 USPQ2d at 1335-37*. It also found Sullivan's belief not reasonable. *Id. at 1338*. We do not need to resolve the issue of the reasonableness as it is not part of the analysis. There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive. *Smith Int'l, 209 USPQ at 1043*. Sullivan testified under oath that he believed the statement was true at [*16] the time he signed the renewal application. Unless the challenger can point to evidence to support an inference of deceptive intent, it has failed to satisfy the clear and convincing evidence standard required to establish a fraud claim.

We hold that Bose did not commit fraud in renewing its WAVE mark and the Board erred in canceling the mark in its entirety. Indeed, the purpose of the Section 8/9 renewal is "'to remove from the register automatically marks which are no longer in use.'" *Torres, 808 F.2d at 48* (quoting *Morehouse Mfg. Corp. v. J. Strickland & Co., 407 F.2d 881, 887, 56 C.C.P.A. 946 (CCPA 1969))*. When a trademark registrant fulfills the obligation to refrain from knowingly making material misrepresentations, "[i]t is in the public interest to maintain registrations of technically good trademarks on the register so long as they are still in use." *Morehouse, 407 F.2d at 888*. Because "practically all of the user's substantive trademark rights derive" from continuing use, when a trademark is still in use, "nothing is to be gained from and no public purpose is served by cancelling the registration of" the trademark. [3] *Id*.

> 3 Indeed, even though the Board cancelled the registration of the WAVE [*17] trademark, it continued to analyze Bose's common law right in the mark. Eventually, the Board found likelihood of confusion and rejected Hexawave's application to register trademark HEXAWAVE. *Bose, 88 USPQ2d at 1342-43*.

We agree with the Board, however, that because the WAVE mark is no longer in use on audio tape recorders and players, the registration needs to be restricted to reflect commercial reality. *See Bose, 88 USPQ2d at 1338*. We thus remand the case to the Board for appropriate proceedings.

III. CONCLUSION

For these reasons, the Board's decision is reversed and remanded.

IV. COSTS

Each party shall bear its own costs.

REVERSED and REMANDED

CERTIFICATE OF SERVICE

I hereby certify that on October 5, 2009, I served the foregoing REPLY DECLARATION OF KENNETH L. WILTON IN SUPPORT OF RESPONDENT JAY-Y ENTERPRISE CO., INC.'S REPLY IN SUPPORT OF ITS MOTION TO FILE FIRST AMENDED ANSWER AND COUNTERCLAIMS on the Petitioner by depositing a true copy thereof in a sealed envelope, postage prepaid, in First Class U.S. mail addressed to Petitioner's counsel of record as follows:

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